

# *State of Utah*

*Welcoming  
the World...*

## **Comprehensive Annual Financial Report**

For the  
Fiscal Year Ended  
June 30, 2001



**STATE OF UTAH**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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Olene S. Walker ..... Lt. Governor  
Auston G. Johnson, CPA ..... State Auditor  
Edward T. Alter, CPA ..... State Treasurer  
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Richard C. Howe ..... Chief Justice, Supreme Court

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John E. Massey ..... Legislative Fiscal Analyst  
Wayne L. Welsh, CPA ..... Legislative Auditor General  
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**ACKNOWLEDGMENTS**

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.



**STATE OF UTAH**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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# **STATE OF UTAH**

## **FINANCIAL SECTION**

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**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

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**INDEPENDENT STATE AUDITOR'S REPORT**

To the Members of the Legislature  
of the State of Utah and  
The Honorable Michael O. Leavitt  
Governor, State of Utah

We have audited the accompanying general-purpose financial statements of the State of Utah as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Utah Public Employees Group Insurance, which represents 22 percent of the assets and 60 percent of the operating revenues of the internal service funds; the Utah State Retirement Office, which represents 80 percent of the assets of the trust and agency funds, 100 percent of the additions to net assets of the pension trust funds, and 1 percent of the revenues of the expendable trust funds; the Utah Housing Corporation, which represents 98 percent of the assets and 87 percent of the operating revenues of the proprietary component unit funds; and Utah State University, Southern Utah University, Utah Valley State College, Dixie State College, and the University of Utah's hospital, health network clinics, foundations, and institutes, which combined represent 33 percent of the assets and 50 percent of the revenues and other additions of the college and university component unit funds. Those financial statements were audited by other auditors whose reports have been furnished to us; and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Utah as of June 30, 2001, and the results of its operations, the cash flows of its proprietary fund types and nonexpendable trust fund, the changes in net assets of its pension trust funds and investment trust fund, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Members of the Legislature  
of the State of Utah and  
The Honorable Michael O. Leavitt  
Governor, State of Utah  
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As discussed in Note 2 to the general-purpose financial statements, the State changed its method of accounting for certain assets and revenues to comply with the requirements of Government Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition, as discussed in Note 1. W. to the general-purpose financial statements, the State has elected not to early implement certain other GASB statements. Those statements will be implemented for the year ended June 30, 2002, and will have a significant impact on the State's revenue and expenditure recognition and assets, liabilities, and fund equity reporting. Note 2 to the general-purpose financial statements also explains certain changes to the reporting of discretely presented component units in the general-purpose financial statements.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the State of Utah taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Utah. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The statistical data listed in the table of contents were not audited by us and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 2, 2001, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Austin Johnson". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

UTAH STATE AUDITOR  
November 2, 2001



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# **STATE OF UTAH**

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

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# STATE OF UTAH

## COMBINED BALANCE SHEET

### ALL FUND TYPES, ACCOUNT GROUPS, AND

### DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2001

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
<b>Assets</b>						
Cash and Cash Equivalents (Note 1, 3) . . . . .	\$ 170,431	\$ 270,795	\$ 116,289	\$ 29,321	\$ 89,366	\$ 40,087
Investments (Notes 1, 3, 16) . . . . .	240,415	49,109	19,088	4,953	221,527	220,282
Receivables: (Note 1)						
Accounts, Net (Note 16) . . . . .	403,160	116,831	17	—	12,064	21,485
Notes/Mortgages . . . . .	216,644	63,706	—	—	983,302	348,963
Accrued Interest . . . . .	1,907	—	—	45	21,421	9,143
Designated Accrued Taxes, Net . . . . .	200,671	347,866	—	—	—	—
Unbilled . . . . .	—	3,407	—	—	—	—
Due From Other Funds (Note 5) . . . . .	39,889	74,440	867	13	2,006	14,454
Due From Component Units (Note 5) . . . . .	—	—	13,324	16,615	—	—
Due From Primary Government (Note 5) . . . . .	—	—	—	—	—	—
Advances to Other Funds . . . . .	24,322	—	—	—	100	2,478
Inventories . . . . .	582	8,146	—	—	15,778	3,832
Prepaid Items . . . . .	—	—	—	—	674	8,471
Deferred Charges . . . . .	—	—	—	—	6,545	—
Fixed Assets — net, where applicable, of accumulated depreciation (Note 1, 6) . . . . .	—	—	—	—	32,989	92,519
Amount Available in Debt Service Fund . . . . .	—	—	—	—	—	—
Resources to be Provided in Future Years For:						
Retirement of General Obligation Bonds . . . . .	—	—	—	—	—	—
Other General Long-Term Obligations . . . . .	—	—	—	—	—	—
<b>Total Assets</b> . . . . .	<b>\$ 1,298,021</b>	<b>\$ 934,300</b>	<b>\$ 149,585</b>	<b>\$ 50,947</b>	<b>\$ 1,385,772</b>	<b>\$ 761,714</b>
<b>Liabilities, Equity, and Other Credits</b>						
<b>Liabilities:</b>						
Vouchers Payable . . . . .	\$ 167,653	\$ 120,799	\$ —	\$ 96	\$ 12,725	\$ 11,589
Contracts Payable . . . . .	—	—	18,881	—	168	—
Accrued Liabilities . . . . .	54,892	13,221	—	22,591	54,243	7,650
Securities Lending Liability (Note 3) . . . . .	—	—	—	—	—	36,288
Deposits . . . . .	—	—	—	—	—	—
Due to Other Funds (Note 5) . . . . .	9,343	86,332	2,281	170	15,867	24,919
Due to Component Units (Note 5) . . . . .	359	—	—	—	—	795
Due to Primary Government (Note 5) . . . . .	—	—	—	—	—	—
Due to Other Individuals or Groups . . . . .	—	—	—	—	—	—
Due to Other Taxing Units . . . . .	—	24,867	—	—	—	—
Deferred Revenue . . . . .	157,992	217,504	83	16,615	6,957	3,073
Advances From Other Funds . . . . .	—	2,478	—	—	—	24,422
Policy Claim Liabilities/Insurance Reserves . . . . .	—	—	—	—	—	118,726
Notes Payable (Note 8) . . . . .	—	—	—	—	—	—
General Obligation Bonds Payable (Note 8) . . . . .	—	—	—	—	—	—
Revenue Bonds Payable (Note 8) . . . . .	—	—	—	—	1,044,294	5,830
Leave/Postemployment Benefits (Notes 1, 8) . . . . .	199,715	60,553	—	—	—	—
<b>Total Liabilities</b> . . . . .	<b>589,954</b>	<b>525,754</b>	<b>21,245</b>	<b>39,472</b>	<b>1,134,254</b>	<b>233,292</b>
<b>Equity and Other Credits:</b>						
Contributed Working Capital . . . . .	—	—	—	—	49,414	346,134
Investment in Fixed Assets . . . . .	—	—	—	—	—	—
Retained Earnings . . . . .	—	—	—	—	202,104	182,288
<b>Fund Balances:</b>						
Reserved (Note 9) . . . . .	508,962	141,194	109,425	5,081	—	—
Unreserved Designated (Note 9) . . . . .	187,491	180,490	18,915	6,394	—	—
Unreserved Undesignated . . . . .	11,614	86,862	—	—	—	—
<b>Total Equity and Other Credits</b> . . . . .	<b>708,067</b>	<b>408,546</b>	<b>128,340</b>	<b>11,475</b>	<b>251,518</b>	<b>528,422</b>
<b>Total Liabilities, Equity, and Other Credits</b> . . . . .	<b>\$ 1,298,021</b>	<b>\$ 934,300</b>	<b>\$ 149,585</b>	<b>\$ 50,947</b>	<b>\$ 1,385,772</b>	<b>\$ 761,714</b>

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		Component Units		Total (Memorandum Only)	
Trust and Agency	General Fixed Assets	General Long-Term Obligation	Primary Government		College and University	Proprietary Funds	Reporting Entity	
			June 30, 2001	June 30, 2000			June 30, 2001	June 30, 2000
\$ 1,290,956	\$ —	\$ —	\$ 2,007,245	\$ 1,896,322	\$ 109,136	\$ 21,775	\$ 2,138,156	\$ 1,936,608
19,357,338	—	—	20,112,712	19,347,000	984,695	368,830	21,466,237	20,763,821
568,183	—	—	1,121,740	535,626	311,233	220	1,433,193	768,650
—	—	—	1,612,615	1,449,604	78,130	966,285	2,657,030	2,440,667
26,701	—	—	59,217	68,008	5,071	7,871	72,159	82,630
6,324	—	—	554,861	387,088	—	—	554,861	387,088
—	—	—	3,407	3,285	—	—	3,407	3,285
11,752	—	—	143,421	96,696	—	—	143,421	96,696
—	—	—	29,939	22,031	—	—	29,939	22,031
—	—	—	0	0	1,154	—	1,154	352
—	—	—	26,900	31,297	—	—	26,900	31,297
—	—	—	28,338	27,765	32,021	32	60,391	57,728
—	—	—	9,145	7,277	49,661	896	59,702	46,952
—	—	—	6,545	5,059	—	16,799	23,344	20,481
15,193	1,417,730	—	1,558,431	1,502,801	2,834,739	4,392	4,397,562	4,191,397
—	—	11,475	11,475	8,757	—	—	11,475	8,757
—	—	1,139,606	1,139,606	1,208,619	—	—	1,139,606	1,208,619
—	—	293,450	293,450	291,610	—	—	293,450	291,610
<u>\$ 21,276,447</u>	<u>\$ 1,417,730</u>	<u>\$ 1,444,531</u>	<u>\$ 28,719,047</u>	<u>\$ 26,888,845</u>	<u>\$ 4,405,840</u>	<u>\$ 1,387,100</u>	<u>\$ 34,511,987</u>	<u>\$ 32,358,669</u>
\$ 635,714	\$ —	\$ —	\$ 948,576	\$ 433,418	\$ 63,499	\$ 4,826	\$ 1,016,901	\$ 491,698
—	—	16,174	35,223	24,633	85,724	—	120,947	81,565
—	—	—	152,597	144,451	66,255	32,489	251,341	236,146
1,459,830	—	—	1,496,118	1,447,768	—	—	1,496,118	1,447,768
55	—	—	55	39	52,039	24	52,118	47,969
4,507	—	—	143,419	96,696	—	—	143,419	96,696
—	—	—	1,154	352	—	—	1,154	352
—	—	—	0	0	29,939	2	29,941	22,031
27,260	—	—	27,260	21,487	8,866	—	36,126	30,943
43,569	—	—	68,436	76,878	—	—	68,436	76,878
32,227	—	—	434,451	124,519	64,479	293	499,223	183,838
—	—	—	26,900	31,297	—	—	26,900	31,297
455,946	—	—	574,672	567,775	—	1,438	576,110	568,808
—	—	—	0	1,217	26,900	2,060	28,960	37,663
—	—	1,146,000	1,146,000	1,212,325	—	—	1,146,000	1,212,325
—	—	241,123	1,291,247	1,140,302	311,108	1,143,099	2,745,454	2,552,654
1,554	—	41,234	303,056	280,952	54,803	—	357,859	331,575
<u>2,660,662</u>	<u>0</u>	<u>1,444,531</u>	<u>6,649,164</u>	<u>5,604,109</u>	<u>763,612</u>	<u>1,184,231</u>	<u>8,597,007</u>	<u>7,450,206</u>
—	—	—	395,548	372,670	—	3,948	399,496	376,618
—	1,417,730	—	1,417,730	1,372,234	2,421,273	—	3,839,003	3,623,485
—	—	—	384,392	358,086	—	198,921	583,313	542,207
18,905,654	—	—	19,670,316	19,023,472	867,444	—	20,537,760	19,842,554
—	—	—	393,290	328,501	314,231	—	707,521	662,078
(289,869)	—	—	(191,393)	(170,227)	39,280	—	(152,113)	(138,479)
<u>18,615,785</u>	<u>1,417,730</u>	<u>0</u>	<u>22,069,883</u>	<u>21,284,736</u>	<u>3,642,228</u>	<u>202,869</u>	<u>25,914,980</u>	<u>24,908,463</u>
<u>\$ 21,276,447</u>	<u>\$ 1,417,730</u>	<u>\$ 1,444,531</u>	<u>\$ 28,719,047</u>	<u>\$ 26,888,845</u>	<u>\$ 4,405,840</u>	<u>\$ 1,387,100</u>	<u>\$ 34,511,987</u>	<u>\$ 32,358,669</u>

# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<b>Revenues:</b>				
Unrestricted:				
Sales Tax .....	\$ 1,430,929	\$ 5,369	\$ —	\$ —
Individual Income Tax .....	—	1,712,676	—	—
Corporate Tax .....	—	183,141	—	—
Motor and Special Fuel Tax .....	—	310,000	—	—
Licenses, Permits, and Fees .....	16,963	74,912	—	—
Investment Income .....	26,636	16,844	—	—
Miscellaneous Taxes and Other .....	194,389	17,843	—	—
Total Unrestricted .....	1,668,917	2,320,785	0	0
Restricted:				
Restricted Sales Tax .....	10,117	18,886	—	—
Federal Contracts and Grants .....	1,214,201	493,886	—	—
Departmental Collections .....	181,748	35,461	—	19,777
Aeronautics .....	—	33,386	—	—
Federal Mineral Lease .....	49,566	—	—	—
Intergovernmental Revenues .....	—	—	35,225	—
Investment Income .....	18,832	1,082	1,407	267
Premiums/Employer Taxes .....	—	—	—	—
Restricted Taxes .....	(139)	(3,345)	—	—
Miscellaneous .....	74,325	29,502	9,143	—
Total Restricted .....	1,548,650	608,858	45,775	20,044
Total Revenues .....	3,217,567	2,929,643	45,775	20,044
<b>Expenditures:</b>				
Current:				
General Government .....	254,001	2,504	—	—
Human Services .....	333,327	—	—	—
Corrections .....	183,395	—	—	—
Health and Environmental Quality .....	1,097,147	—	—	—
Higher Education .....	36,118	—	—	—
Natural Resources .....	104,859	—	—	—
Business, Labor, and Agriculture .....	49,417	255	—	—
Community and Economic Development .....	82,381	1,145	—	—
Employment and Family Services .....	286,304	—	—	—
Public Education .....	—	1,949,959	—	—
Transportation and Public Safety .....	120,454	877,653	—	—
Trust Administration and Distributions .....	—	—	—	—
Leave/Postemployment Benefits .....	7,083	2,103	—	—
Capital Outlay .....	—	—	153,126	—
Debt Service:				
Principal Retirement .....	—	—	—	92,958
Interest and Other Charges .....	—	—	—	65,928
Total Expenditures .....	2,554,486	2,833,619	153,126	158,886
Excess Revenues Over (Under) Expenditures .....	663,081	96,024	(107,351)	(138,842)
<b>Other Financing Sources (Uses):</b>				
Proceeds of Revenue Bonds/Contracts .....	1,602	1,688	—	—
Proceeds of General Obligation Bonds .....	—	—	15,153	—
Operating Transfers In (Note 12) .....	268,793	265,850	145,991	141,560
Operating Transfers Out (Note 12) .....	(312,737)	(464,834)	(3,283)	—
Operating Transfers From Component Units (Note 12) .....	526	—	—	—
Operating Transfers To Component Units (Note 12) .....	(537,279)	—	—	—
Total Other Financing Sources (Uses) .....	(579,095)	(197,296)	157,861	141,560
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses .....	83,986	(101,272)	50,510	2,718
Beginning Fund Balances .....	646,959	509,818	77,830	8,757
Residual Equity Transfers (Note 12) .....	(22,878)	—	—	—
Ending Fund Balances .....	\$ 708,067	\$ 408,546	\$ 128,340	\$ 11,475

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Total (Memorandum Only)	
	Expendable Trust	
	June 30, 2001	June 30, 2000
\$ —	\$ 1,436,298	\$ 1,372,849
—	1,712,676	1,654,949
—	183,141	186,936
—	310,000	314,164
—	91,875	92,300
—	43,480	34,166
—	212,232	215,406
0	3,989,702	3,870,770
—	29,003	28,113
4,412	1,712,499	1,582,343
—	236,986	217,621
—	33,386	26,859
—	49,566	34,957
—	35,225	80,431
34,290	55,878	102,278
135,825	135,825	116,675
—	(3,484)	19,036
73,476	186,446	171,473
248,003	2,471,330	2,379,786
248,003	6,461,032	6,250,556
21,940	278,445	267,004
5,783	339,110	436,699
—	183,395	175,198
49,856	1,147,003	1,003,488
608	36,726	31,484
2,152	107,011	99,217
8,005	57,677	52,336
1,935	85,461	79,658
138,172	424,476	399,361
706	1,950,665	1,824,724
—	998,107	999,684
16,305	16,305	14,495
—	9,186	17,573
—	153,126	191,819
—	92,958	88,269
—	65,928	70,005
245,462	5,945,579	5,751,014
2,541	515,453	499,542
—	3,290	6,997
—	15,153	38,169
5,700	827,894	666,263
(13,453)	(794,307)	(632,393)
—	526	0
—	(537,279)	(503,654)
(7,753)	(484,723)	(424,618)
(5,212)	30,730	74,924
617,183	1,860,547	1,799,903
—	(22,878)	(14,280)
\$ 611,971	\$ 1,868,399	\$ 1,860,547

# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND, SPECIAL REVENUE FUNDS, AND DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Unrestricted:			
Sales Tax .....	\$ 1,400,000	\$ 1,431,427	\$ 31,427
Individual Income Tax .....	—	—	0
Corporate Tax .....	—	—	0
Motor and Special Fuel Tax .....	—	—	0
Licenses, Permits, and Fees .....	16,044	16,980	936
Investment Income .....	15,000	27,513	12,513
Miscellaneous Taxes and Other .....	151,307	194,389	43,082
Total Unrestricted .....	1,582,351	1,670,309	87,958
Restricted:			
Restricted Sales Tax .....	10,117	10,117	0
Federal Contracts and Grants .....	1,219,218	1,219,218	0
Departmental Collections .....	188,694	199,768	11,074
Higher Education Dedicated Credits .....	192,929	192,929	0
Aeronautics .....	—	—	0
Federal Mineral Lease .....	31,400	49,566	18,166
Investment Income .....	19,402	18,832	(570)
Restricted Taxes .....	(139)	(139)	0
Miscellaneous .....	303,176	301,010	(2,166)
Total Restricted .....	1,964,797	1,991,301	26,504
Total Revenues .....	3,547,148	3,661,610	114,462
Intrafund Eliminations .....		(444,043)	
Total Revenues GAAP Basis .....		3,217,567	
<b>Expenditures:</b>			
Current:			
General Government .....	285,549	259,165	26,384
Human Services .....	527,415	518,143	9,272
Corrections .....	186,201	183,890	2,311
Health and Environmental Quality .....	1,147,605	1,136,591	11,014
Higher Education .....	770,140	770,140	0
Natural Resources .....	140,845	109,009	31,836
Business, Labor, and Agriculture .....	59,928	50,112	9,816
Community and Economic Development .....	99,975	85,060	14,915
Employment and Family Services .....	292,839	291,793	1,046
Public Education .....	—	—	0
Transportation and Public Safety .....	128,479	121,147	7,332
Leave/Postemployment Benefits .....	7,083	7,083	0
Debt Service:			
Principal Retirement .....	—	—	0
Interest and Other Charges .....	—	—	0
Total Expenditures .....	3,646,059	3,532,133	113,926
Higher Education and Trust Appropriated			
Expenditures Included as Transfers .....	(533,604)	(533,604)	
Intrafund Eliminations .....		(444,043)	
Total Expenditures GAAP Basis .....		2,554,486	
Excess Revenues Over (Under) Expenditures .....	434,693	663,081	228,388
<b>Other Financing Sources (Uses):</b>			
Proceeds of Revenue Bonds/Contracts .....	1,602	1,602	0
Operating Transfers In (Note 12) .....	268,793	268,793	0
Operating Transfers Out (Note 12) .....	(312,737)	(312,737)	0
Operating Transfers From Component Units (Note 12) .....	526	526	0
Operating Transfers To Component Units (Note 12) .....	(537,279)	(537,279)	0
Total Other Financing Sources (Uses) .....	(579,095)	(579,095)	0
Excess Revenues and Other Sources Over			
(Under) Expenditures and Other Uses .....	(144,402)	83,986	228,388
Beginning Fund Balances .....	646,959	646,959	0
Residual Equity Transfers (Note 12) .....	(22,878)	(22,878)	0
Ending Fund Balances .....	\$ 479,679	\$ 708,067	\$ 228,388

The accompanying notes are an integral part of the financial statements.

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,770	\$ 5,369	\$ 599	\$ —	\$ —	\$ 0
1,691,855	1,712,676	20,821	—	—	0
172,145	183,141	10,996	—	—	0
320,900	310,000	(10,900)	—	—	0
77,328	74,912	(2,416)	—	—	0
8,421	16,844	8,423	—	—	0
15,218	17,843	2,625	—	—	0
<u>2,290,637</u>	<u>2,320,785</u>	<u>30,148</u>	<u>0</u>	<u>0</u>	<u>0</u>
18,886	18,886	0	—	—	0
493,886	493,886	0	—	—	0
61,692	61,849	157	19,777	19,777	0
—	—	0	—	—	0
33,386	33,386	0	—	—	0
—	—	0	—	—	0
1,082	1,082	0	267	267	0
(3,345)	(3,345)	0	—	—	0
45,217	45,083	(134)	—	—	0
<u>650,804</u>	<u>650,827</u>	<u>23</u>	<u>20,044</u>	<u>20,044</u>	<u>0</u>
<u>2,941,441</u>	<u>2,971,612</u>	<u>30,171</u>	<u>20,044</u>	<u>20,044</u>	<u>0</u>
	(41,969)			—	
	<u>2,929,643</u>			<u>20,044</u>	
2,510	2,504	6	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
295	255	40	—	—	0
2,433	1,145	1,288	—	—	0
—	—	0	—	—	0
2,014,168	1,965,608	48,560	—	—	0
922,469	903,973	18,496	—	—	0
2,216	2,103	113	—	—	0
—	—	0	92,958	92,958	0
—	—	0	65,928	65,928	0
<u>2,944,091</u>	<u>2,875,588</u>	<u>68,503</u>	<u>158,886</u>	<u>158,886</u>	<u>0</u>
	(41,969)			—	
	<u>2,833,619</u>			<u>158,886</u>	
(2,650)	<u>96,024</u>	<u>98,674</u>	<u>(138,842)</u>	<u>(138,842)</u>	<u>0</u>
1,688	1,688	0	—	—	0
265,850	265,850	0	141,560	141,560	0
(464,834)	(464,834)	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
<u>(197,296)</u>	<u>(197,296)</u>	<u>0</u>	<u>141,560</u>	<u>141,560</u>	<u>0</u>
(199,946)	(101,272)	98,674	2,718	2,718	0
509,818	509,818	0	8,757	8,757	0
—	—	0	—	—	0
<u>\$ 309,872</u>	<u>\$ 408,546</u>	<u>\$ 98,674</u>	<u>\$ 11,475</u>	<u>\$ 11,475</u>	<u>\$ 0</u>



# STATE OF UTAH

## COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES — ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
<b>Operating Revenues:</b>			
Investment Earnings .....	\$ 15,065	\$ 15,707	\$ (35,824)
Liquor:			
Sales .....	122,927	—	—
Licenses, Permits, and Fees .....	859	—	—
Charges for Services/Premiums/Royalties .....	28,360	416,538	38,754
Interest on Notes/Mortgages .....	65,155	6,098	—
Federal Reinsurance and Allowances .....	20,313	—	—
Miscellaneous .....	189	—	—
Total Operating Revenues .....	<u>252,868</u>	<u>438,343</u>	<u>2,930</u>
Cost of Goods Sold .....	<u>87,554</u>	<u>—</u>	<u>—</u>
Gross Profit .....	<u>165,314</u>	<u>438,343</u>	<u>2,930</u>
<b>Operating Expenses:</b>			
Administration .....	53,714	38,738	—
Materials and Services for Resale .....	—	49,440	—
Grants .....	4,398	2,536	—
Payments on Loan Guarantees .....	10,630	—	—
Rentals and Leases .....	997	4,123	—
Maintenance .....	965	17,342	—
Interest .....	47,946	363	—
Depreciation .....	1,863	19,067	—
Benefit Claims .....	—	267,447	—
Policyholder Dividends .....	—	6,000	—
Supplies and Other Miscellaneous .....	1,428	31,199	—
Total Operating Expenses .....	<u>121,941</u>	<u>436,255</u>	<u>0</u>
Total Operating Income .....	<u>43,373</u>	<u>2,088</u>	<u>2,930</u>
<b>Non-Operating Income (Expenses):</b>			
Investment Earnings .....	2,955	—	—
Federal Grants/Returns .....	—	61	—
Gain (Loss) on Sale of Fixed Assets .....	(12)	(810)	6,671
Tax Revenues .....	3,830	9,422	—
Interest Expense .....	(647)	(55)	—
Other Income (Expenses) .....	—	(296)	—
Total Non-Operating Income (Expenses) .....	<u>6,126</u>	<u>8,322</u>	<u>6,671</u>
Income Before Operating Transfers .....	49,499	10,410	9,601
Operating Transfers In (Note 12) .....	2,750	976	16
Operating Transfers From Primary Government (Note 12) ....	—	—	—
Operating Transfers Out (Note 12) .....	(30,838)	(6,491)	—
Operating Transfers To Primary Government (Note 12) .....	—	—	—
Net Income .....	<u>21,411</u>	<u>4,895</u>	<u>9,617</u>
Beginning Retained Earnings/Fund Balances .....	180,693	177,393	362,607
Adjustment to Beginning Retained Earnings/ Fund Balances (Note 2) .....	—	—	—
Beginning Retained Earnings/Fund Balances as Adjusted .....	<u>180,693</u>	<u>177,393</u>	<u>362,607</u>
Residual Equity Transfers (Note 12) .....	—	—	—
Ending Retained Earnings/Fund Balances .....	<u>\$ 202,104</u>	<u>\$ 182,288</u>	<u>\$ 372,224</u>

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 2001	June 30, 2000	Units	June 30, 2001	June 30, 2000
\$ (5,052)	\$ 43,242	\$ 18,929	\$ 13,877	\$ 61,203
122,927	116,576	—	122,927	116,576
859	831	—	859	831
483,652	425,989	11,427	495,079	434,186
71,253	62,795	66,246	137,499	121,467
20,313	21,117	—	20,313	21,117
189	53	4,046	4,235	3,500
694,141	670,603	100,648	794,789	758,880
87,554	85,450	—	87,554	85,450
606,587	585,153	100,648	707,235	673,430
92,452	83,449	12,587	105,039	94,504
49,440	45,509	—	49,440	45,509
6,934	12,438	—	6,934	12,438
10,630	7,970	—	10,630	7,970
5,120	4,488	—	5,120	4,488
18,307	16,155	660	18,967	16,715
48,309	43,486	67,172	115,481	105,192
20,930	18,013	451	21,381	18,491
267,447	238,066	8,543	275,990	242,846
6,000	11,075	—	6,000	11,075
32,627	31,735	922	33,549	32,448
558,196	512,384	90,335	648,531	591,676
48,391	72,769	10,313	58,704	81,754
2,955	2,433	1,617	4,572	3,517
61	2,558	11	72	2,602
5,849	5,121	—	5,849	5,121
13,252	10,706	—	13,252	10,706
(702)	(685)	—	(702)	(685)
(296)	(769)	660	364	(864)
21,119	19,364	2,288	23,407	20,397
69,510	92,133	12,601	82,111	102,151
3,742	3,154	—	3,742	3,154
0	0	3,725	3,725	4,605
(37,329)	(37,024)	—	(37,329)	(37,024)
0	0	(1,526)	(1,526)	0
35,923	58,263	14,800	50,723	72,886
720,693	674,409	443,373	1,164,066	1,103,731
0	(11,746)	(259,252)	(259,252)	(271,570)
720,693	662,663	184,121	904,814	832,161
0	(233)	—	0	(233)
\$ 756,616	\$ 720,693	\$ 198,921	\$ 955,537	\$ 904,814

# STATE OF UTAH

## COMBINED STATEMENT OF CASH FLOWS

### ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers/Loan Interest/Fees/Premiums/Royalties . . . . .	\$ 220,740	\$ 273,253	\$ 39,693
Receipts from Loan Maturities . . . . .	133,900	20,334	—
Receipts of Federal Reinsurance and Allowances . . . . .	24,673	—	—
Receipts from State Customers . . . . .	9,044	142,079	—
Student Loan Disbursements Received from Lenders . . . . .	209,244	—	—
Student Loan Disbursements Sent to Schools . . . . .	(208,988)	—	—
Payments to Suppliers/Claims/Grants . . . . .	(117,718)	(316,119)	—
Disbursements for Loans Receivable . . . . .	(247,678)	(30,902)	—
Payments on Loan Guarantees . . . . .	(16,014)	—	—
Payments for Employee Services and Benefits . . . . .	(23,954)	(36,390)	—
Payments to State Suppliers . . . . .	(2,734)	(45,943)	—
Payments of Sales, School Lunch, and Premium Taxes . . . . .	(22,854)	—	—
Payments of Policyholder Dividends . . . . .	—	(6,000)	—
Net Cash Provided (Used) by Operating Activities . . . . .	(42,339)	312	39,693
<b>Cash Flows from Noncapital Financing Activities:</b>			
Borrowings Under Revolving Loans . . . . .	8,420	—	—
Repayments Under Revolving Loans . . . . .	(6,058)	—	—
Receipts from Bonds, Notes, Advances, and Deposits . . . . .	258,985	5,958	—
Payments of Bonds, Notes, Advances, Deposits, and Retained Earnings . . . . .	(95,055)	(5,355)	—
Interest Paid on Bonds, Notes, and Financing Costs . . . . .	(52,847)	(385)	—
Other Noncapital Financing Receipts . . . . .	3,830	9,782	—
Operating Transfers In from Other Funds . . . . .	2,750	976	16
Operating Transfers In from Primary Government . . . . .	—	—	—
Operating Transfers Out to Other Funds . . . . .	(30,838)	(6,491)	—
Operating Transfers Out to Primary Government . . . . .	—	—	—
Equity Transfers In from Other Funds . . . . .	—	19,007	—
Equity Transfers Out to Other Funds . . . . .	(1,557)	—	—
Net Cash Provided (Used) by Noncapital Financing Activities . . . . .	87,630	23,492	16
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Bond and Note Debt Issuance/Grants . . . . .	55	—	—
Proceeds from Disposition of Capital Assets . . . . .	—	4,145	6,679
Federal Grants . . . . .	—	3	—
Principal Paid on Debt and Contract Maturities . . . . .	(535)	(35)	—
Acquisition and Construction of Capital Assets . . . . .	(2,811)	(32,759)	(1,561)
Interest Paid on Bonds, Notes, and Capital Leases . . . . .	(584)	(56)	—
Transfers In from Other Funds . . . . .	961	4,467	—
Net Cash Provided (Used) by Capital and Related Financing Activities . . . . .	(2,914)	(24,235)	5,118
<b>Cash Flows from Investing Activities:</b>			
Proceeds from the Sale and Maturity of Investments . . . . .	460,692	54,181	5,966
Receipts of Interest and Dividends from Investments . . . . .	16,215	13,818	566
Payments to Purchase Investments . . . . .	(504,372)	(86,481)	(58,500)
Net Cash Provided (Used) by Investing Activities . . . . .	(27,465)	(18,482)	(51,968)
Net Increase (Decrease) in Cash and Cash Equivalents . . . . .	14,912	(18,913)	(7,141)
Beginning Cash and Cash Equivalents . . . . .	74,454	59,000	20,345
Ending Cash and Cash Equivalents . . . . .	\$ 89,366	\$ 40,087	\$ 13,204

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 2001	June 30, 2000	Units	June 30, 2001	June 30, 2000
\$ 533,686	\$ 474,680	\$ 80,668	\$ 614,354	\$ 544,200
154,234	139,584	122,031	276,265	281,422
24,673	19,537	—	24,673	19,537
151,123	145,032	—	151,123	145,032
209,244	174,392	—	209,244	174,392
(208,988)	(174,416)	—	(208,988)	(174,416)
(433,837)	(421,048)	(14,450)	(448,287)	(434,565)
(278,580)	(253,281)	(175,042)	(453,622)	(510,305)
(16,014)	(13,214)	—	(16,014)	(13,214)
(60,344)	(58,887)	(4,943)	(65,287)	(63,445)
(48,677)	(32,000)	—	(48,677)	(32,000)
(22,854)	(22,534)	—	(22,854)	(22,534)
(6,000)	(11,075)	—	(6,000)	(11,075)
(2,334)	(33,230)	8,264	5,930	(96,971)
8,420	6,058	—	8,420	6,058
(6,058)	(2,716)	(406)	(6,464)	(2,878)
264,943	135,697	200,123	465,066	430,116
(100,410)	(64,866)	(151,016)	(251,426)	(329,273)
(53,232)	(45,458)	(66,577)	(119,809)	(106,564)
13,612	13,182	765	14,377	13,245
3,742	3,154	—	3,742	3,154
0	0	3,725	3,725	4,605
(37,329)	(37,024)	—	(37,329)	(37,024)
0	0	(1,526)	(1,526)	0
19,007	11,950	—	19,007	11,950
(1,557)	(2,294)	—	(1,557)	(2,294)
111,138	17,683	(14,912)	96,226	(8,905)
55	854	—	55	854
10,824	9,015	—	10,824	9,015
3	90	—	3	90
(570)	(594)	—	(570)	(594)
(37,131)	(29,179)	(1,603)	(38,734)	(29,690)
(640)	(625)	—	(640)	(625)
5,428	4,878	—	5,428	4,878
(22,031)	(15,561)	(1,603)	(23,634)	(16,072)
520,839	410,001	394,440	915,279	945,149
30,599	34,208	20,720	51,319	54,815
(649,353)	(408,580)	(408,788)	(1,058,141)	(870,785)
(97,915)	35,629	6,372	(91,543)	129,179
(11,142)	4,521	(1,879)	(13,021)	7,231
153,799	149,278	23,654	177,453	170,222
\$ 142,657	\$ 153,799	\$ 21,775	\$ 164,432	\$ 177,453

Continues

# STATE OF UTAH

## COMBINED STATEMENT OF CASH FLOWS

### ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

Continued

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
<b>Reconciliation of Total Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Total Operating Income .....	\$ 43,373	\$ 2,088	\$ 2,930
Adjustments to Reconcile Total Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Not Requiring Cash .....	1,863	19,067	—
Provision for Uncollectible Accounts .....	—	—	—
Interest Expense for Noncapital and Capital Financing .....	47,643	363	—
Revenue from Non-Operating Investment and Other Activities .....	(14,108)	(15,707)	35,824
Miscellaneous Gains, Losses, and Other Items Not Requiring Cash .....	3,863	8	—
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable/Due From Other Funds .....	224	(6,679)	(10,854)
(Increase) Decrease in Accrued Interest/Notes Receivable .....	(133,317)	(8,848)	513
(Increase) Decrease in Inventories .....	(684)	(882)	—
(Increase) Decrease in Prepaid Items .....	(41)	(1,756)	—
(Decrease) Increase in Vouchers Payable/ Accrued Liabilities/Due to Other Funds .....	8,316	(641)	—
(Decrease) Increase in Deferred Revenue/Deposits .....	529	774	11,280
(Decrease) Increase in Policy Claim Liabilities .....	—	13,742	—
(Decrease) Increase in Notes Payable .....	—	(1,217)	—
Net Cash Provided (Used) by Operating Activities .....	<u>\$ (42,339)</u>	<u>\$ 312</u>	<u>\$ 39,693</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributed Capital/Operating Assets Transferred In (Out) .....	\$ —	\$ —	\$ —
Increase (Decrease) in Fair Value of Investments .....	—	2,597	(36,390)
Total Noncash Investing, Capital, and Financing Activities ....	<u>\$ 0</u>	<u>\$ 2,597</u>	<u>\$ (36,390)</u>

#### Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

	Trust and Agency
Nonexpendable Trust .....	\$ 13,204
Other Trust and Agency .....	1,277,752
Total Cash and Cash Equivalents per Combined Balance Sheet .....	<u>\$ 1,290,956</u>

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component Units	Reporting Entity	
June 30, 2001	June 30, 2000		June 30, 2001	June 30, 2000
\$ 48,391	\$ 72,769	\$ 10,313	\$ 58,704	\$ 81,754
20,930	18,013	451	21,381	18,491
0	0	398	398	292
48,006	43,001	63,507	111,513	101,171
6,009	(36,374)	(18,929)	(12,920)	(54,335)
3,871	3,344	3,263	7,134	6,293
(17,309)	(9,407)	9	(17,300)	(9,573)
(141,652)	(130,875)	(53,913)	(195,565)	(246,365)
(1,566)	(2,203)	—	(1,566)	(2,203)
(1,797)	(3,281)	1,026	(771)	(4,365)
7,675	4,629	1,745	9,420	4,608
12,583	947	(11)	12,572	1,012
13,742	6,207	405	14,147	6,249
(1,217)	0	—	(1,217)	0
<u>\$ (2,334)</u>	<u>\$ (33,230)</u>	<u>\$ 8,264</u>	<u>\$ 5,930</u>	<u>\$ (96,971)</u>
\$ 0	\$ 8,165	\$ —	\$ 0	\$ 8,165
(33,793)	13,850	630	(33,163)	15,105
<u>\$ (33,793)</u>	<u>\$ 22,015</u>	<u>\$ 630</u>	<u>\$ (33,163)</u>	<u>\$ 23,270</u>

# STATE OF UTAH

## STATEMENT OF CHANGES IN NET ASSETS DEFINED BENEFIT PENSION PLANS, OTHER PENSION TRUST FUNDS, AND INVESTMENT TRUST FUND

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System
<b>Additions:</b>				
Contributions:				
Member . . . . .	\$ 8,464	\$ 11,518	\$ 4,132	\$ 9,617
Employer . . . . .	10,484	352,339	49,353	140
Court Fees and Fire Insurance Premiums . . . . .	—	—	—	6,615
Pool Participant Deposits . . . . .	—	—	—	—
Total Contributions and Deposits . . . . .	18,948	363,857	53,485	16,372
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments . . . . .	(11,419)	(121,582)	(15,115)	(6,337)
Interest, Dividends, and Other Investment Income . . . . .	30,477	324,500	40,346	16,911
Investment Trust Earnings . . . . .	—	—	—	—
Total Investment Income . . . . .	19,058	202,918	25,231	10,574
Less Investment Expenses . . . . .	1,515	16,131	2,005	841
Less Investment Administrative Expenses . . . . .	—	—	—	—
Net Investment Income . . . . .	17,543	186,787	23,226	9,733
Transfers From Affiliated Systems . . . . .	—	51,020	2,027	1,303
Total Additions . . . . .	36,491	601,664	78,738	27,408
<b>Deductions:</b>				
Retirement Benefits . . . . .	36,662	236,377	35,900	14,496
Cost of Living Benefits . . . . .	20,929	40,501	6,105	3,403
Supplemental Retirement Benefits . . . . .	2,726	—	764	839
Refunds . . . . .	5,040	5,292	971	312
Administrative Expenses . . . . .	680	6,850	840	319
Earnings Distribution . . . . .	—	—	—	—
Pool Participant Withdrawals . . . . .	—	—	—	—
Transfers To Affiliated Systems . . . . .	54,549	—	—	—
Total Deductions . . . . .	120,586	289,020	44,580	19,369
Net Increase (Decrease) From Operations . . . . .	(84,095)	312,644	34,158	8,039
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year . . . . .	1,030,515	10,111,101	1,261,920	532,783
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — End of Year . . . . .	\$ 946,420	\$ 10,423,745	\$ 1,296,078	\$ 540,822

The accompanying notes are an integral part of the financial statements.

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<b>Judges System</b>	<b>Governors and Legislative Pension Plan</b>	<b>Deferred Compensation 401(k) Plan</b>	<b>Public Treasurer's Investment Fund</b>
\$ 8	\$ —	\$ 137,563	\$ —
1,476	—	—	—
1,946	—	—	—
—	—	—	4,631,739
<u>3,430</u>	<u>0</u>	<u>137,563</u>	<u>4,631,739</u>
(1,023)	(141)	(56,673)	168
2,730	378	3,142	—
—	—	—	179,763
<u>1,707</u>	<u>237</u>	<u>(53,531)</u>	<u>179,931</u>
136	19	1,470	—
—	—	—	112
<u>1,571</u>	<u>218</u>	<u>(55,001)</u>	<u>179,819</u>
183	16	—	—
<u>5,184</u>	<u>234</u>	<u>82,562</u>	<u>4,811,558</u>
2,704	520	—	—
618	142	—	—
—	—	—	—
—	1	61,898	—
52	6	3,373	—
—	—	—	177,828
—	—	—	4,250,144
—	—	—	—
<u>3,374</u>	<u>669</u>	<u>65,271</u>	<u>4,427,972</u>
1,810	(435)	17,291	383,586
<u>85,921</u>	<u>12,159</u>	<u>1,259,441</u>	<u>2,664,752</u>
<u>\$ 87,731</u>	<u>\$ 11,724</u>	<u>\$ 1,276,732</u>	<u>\$ 3,048,338</u>



# STATE OF UTAH

## COMBINED STATEMENT OF CHANGES IN FUND BALANCES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Years Ended June 30, 2001 and 2000

(Expressed in Thousands)

	June 30, 2001	June 30, 2000
<b>Revenues and Other Additions:</b>		
Unrestricted Educational and General Revenues . . . . .	\$ 645,834	\$ 588,303
Auxiliary Enterprises Revenues . . . . .	143,073	130,263
Hospital Sales and Services . . . . .	361,429	326,214
Foundations and Other Component Units . . . . .	170,309	139,663
Tuition and Fees — Restricted . . . . .	36,997	32,365
Private Gifts, Grants, and Contracts . . . . .	253,729	212,411
Governmental Grants and Contracts . . . . .	420,147	396,116
Federal Appropriations . . . . .	4,252	4,336
Investment and Endowment Income . . . . .	(1,705)	67,527
Interest on Loans Receivable . . . . .	1,299	1,322
Expended for Plant Facilities (including \$61,859 from current funds) . . . . .	230,732	281,315
Retirement of Indebtedness (including \$829 from current funds) . . . . .	61,721	29,813
Other . . . . .	8,589	9,206
Total Revenues and Other Additions . . . . .	<u>2,336,406</u>	<u>2,218,854</u>
<b>Expenditures and Other Deductions:</b>		
Educational and General Expenditures . . . . .	1,624,255	1,528,146
Auxiliary Enterprises Expenditures . . . . .	136,344	123,805
Hospital Expenditures . . . . .	349,865	333,915
Foundations and Other Component Units . . . . .	139,459	120,497
Indirect Costs Recovered . . . . .	62,566	56,382
Depreciation . . . . .	16,494	16,194
Refunded to Grantors . . . . .	50	22
Loan Cancellations and Write-Offs . . . . .	1,479	1,417
Administrative and Collection Costs . . . . .	1,896	1,459
Expended for Plant Facilities (including noncapitalized expenditures of \$15,046) . . . . .	183,919	203,284
Retirement of Indebtedness . . . . .	60,892	28,944
Interest on Indebtedness . . . . .	21,492	19,902
Increase in Debt . . . . .	2,052	3,072
Disposal of Plant Facilities . . . . .	58,477	48,181
Other . . . . .	4,150	3,604
Total Expenditures and Other Deductions . . . . .	<u>2,663,390</u>	<u>2,488,824</u>
<b>Transfers Among Funds:</b>		
Operating Transfers In from Primary Government (Note 12) . . . . .	533,554	500,049
Net Increase (Decrease) in Fund Balances . . . . .	<u>206,570</u>	<u>230,079</u>
Beginning Fund Balances . . . . .	3,614,221	3,348,238
Adjustments to Beginning Fund Balances (Note 2) . . . . .	(178,563)	(162,369)
Adjusted Beginning Fund Balances . . . . .	3,435,658	3,185,869
Residual Equity Transfers (Note 12) . . . . .	—	19,710
Ending Fund Balances . . . . .	<u>\$ 3,642,228</u>	<u>\$ 3,435,658</u>

The accompanying notes are an integral part of the financial statements.

# STATE OF UTAH

## COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2001

(Expressed in Thousands)

	<b>Total Unrestricted</b>	<b>Total Restricted</b>	<b>Total Current Funds</b>	
			<b>June 30, 2001</b>	<b>June 30, 2000</b>
<b>Revenues:</b>				
Educational and General:				
Tuition and Fees . . . . .	\$ 252,747	\$ 17,322	\$ 270,069	\$ 243,899
Federal Appropriations . . . . .	—	4,311	4,311	4,214
Governmental Grants and Contracts . . . . .	62,714	295,296	358,010	320,652
Private Gifts, Grants, and Contracts . . . . .	5,440	111,619	117,059	128,429
Investment and Endowment Income . . . . .	23,980	17,489	41,469	33,178
Sales and Services of Educational Departments . . . . .	287,493	7,472	294,965	267,193
Other . . . . .	13,460	3,684	17,144	12,484
Total Educational and General Revenues . . . . .	645,834	457,193	1,103,027	1,010,049
Hospital Sales and Services . . . . .	361,429	—	361,429	326,214
Auxiliary Enterprises Revenues . . . . .	143,073	—	143,073	130,263
Total Revenues . . . . .	1,150,336	457,193	1,607,529	1,466,526
<b>Expenditures and Mandatory Transfers:</b>				
Educational and General:				
Instruction . . . . .	389,669	68,116	457,785	426,785
Research . . . . .	33,460	218,363	251,823	234,699
Public Service . . . . .	275,254	103,871	379,125	353,620
Academic Support . . . . .	102,151	22,346	124,497	122,260
Student Services . . . . .	58,256	12,968	71,224	66,429
Institution Support . . . . .	123,841	9,528	133,369	141,376
Operation and Maintenance of Plant . . . . .	98,953	4,536	103,489	91,681
Student Aid . . . . .	24,665	78,201	102,866	91,479
Total Educational and General Expenditures . . . . .	1,106,249	517,929	1,624,178	1,528,329
Hospital Expenditures . . . . .	349,231	634	349,865	333,915
Auxiliary Enterprises Expenditures . . . . .	133,790	2,554	136,344	123,805
Mandatory Transfers, Net Out (In) . . . . .	34,070	(2,988)	31,082	44,386
Total Expenditures and Mandatory Transfers . . . . .	1,623,340	518,129	2,141,469	2,030,435
<b>Other Transfers and Additions (Deductions):</b>				
Excess of Restricted Receipts Over				
(Under) Transfers to Revenues . . . . .	—	39,230	39,230	21,887
Refunded to Grantors . . . . .	—	(49)	(49)	(21)
Nonmandatory Transfers, Net . . . . .	3,851	(11,535)	(7,684)	12,815
Operating Transfers from Primary				
Government (Note 12) . . . . .	469,642	63,912	533,554	500,036
Other . . . . .	(2,841)	(140)	(2,981)	(1,599)
Total Other Transfers and Additions . . . . .	470,652	91,418	562,070	533,118
Net Increase (Decrease) in Fund Balances . . . . .	\$ (2,352)	\$ 30,482	\$ 28,130	\$ (30,791)

The accompanying notes are an integral part of the financial statements.

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# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

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# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Utah have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 2001, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Utah State Legislature and/or Constitutional Officers of the State of Utah.

#### A. Reporting Entity

For financial reporting purposes, the State of Utah has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization or; 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by generally accepted accounting principles, these financial statements include the State of Utah (Primary Government) and its component units. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

Entities such as the local school districts and local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a Special Revenue Fund.)

The following state agencies and funds had separately issued financial statements and were audited by the Utah State Auditor's Office, or by other independent auditors:

- **Applied Technology Centers (Special Revenue Fund)** — There are five applied technology centers in the State which offer vocational education in various subjects. They are Bridgerland, Davis, Ogden-Weber, Uintah Basin, and Wasatch Front South. The Centers receive annual state appropriations for their operations and are included as an integral part of the Uniform School Fund. The individual Centers were audited by the State Auditor or other independent auditors, and individual reports, dated from July 27, 2001, to October 5, 2001, have been previously issued under separate cover. Effective for the fiscal year ending June 30, 2002, the Applied Technology Centers will become part of a newly created College of Applied Technology. In future years, the College of Applied Technology will be reported as a discrete component unit in the College and University Funds.
- **Student Assistance Programs (Enterprise Fund)** — This fund presents combined information from two student assistance programs administered by the State Board of Regents — Utah Higher Education Assistance Authority: the Student Loan Guarantee Program, which guarantees repayment of eligible student loans; and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances. Both programs are administered by the State Board of Regents. The Regents are appointed by the Governor, subject to Senate approval. The Board of Regents' operations and administrative expenses are subject to legislative and executive control. Their reports, dated August 31, 2001, have been previously issued under separate cover.
- **Utah Dairy Commission (Enterprise Fund)** — The Commission is an independent state agency which promotes and advertises dairy products. It also conducts research and provides nutritional education about dairy products. The Commission's voting membership is comprised of representatives from the dairy industry, and its funding is from an assessment imposed on all milk produced and sold through commercial channels in the State. The Commission was audited by other independent auditors for the period ended December 31, 2000, and their report, dated May 16, 2001, has been previously issued under separate cover.
- **Utah Public Employees Group Insurance (Internal Service Fund)** — This fund provides health and life insurance and is financed by employee and employer contributions from the State and other participating political subdivisions. The Fund is administered by Utah Retirement Systems, an independent state agency subject to legislative and executive department budgetary examination and comment. The Fund was audited by other independent auditors and their report, dated October 5, 2001, has been previously issued under separate cover.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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Fiscal Year Ended June 30, 2001

- Utah Retirement Systems (Pension Trust Funds) — Utah Retirement Systems administers pension funds for various public employee retirement systems and plans of the State and its political subdivisions. Utah Retirement Systems is an independent state agency. It is subject to legislative and executive department budgetary examination and comment. A seven member board is established by statute to administer the systems and plans and serve as investment trustees of the retirement funds. Six members are appointed by the Governor with the advice and consent of the Senate, while the State Treasurer serves as the seventh member. The funds were audited by other independent auditors for the period ended December 31, 2000, and their report, dated February 23, 2001, has been previously issued under separate cover.
- Utah Technology Finance Corporation (Proprietary Fund Type) — This is a nonprofit organization which encourages and assists in the development, promotion, and growth of technological and small businesses throughout the State. The Corporation has received state appropriations for working capital. The board of trustees is appointed by the Governor and approved by the Senate. The Corporation was audited separately and copies of their report can be obtained from the Utah State Auditor's Office.
- Comprehensive Health Insurance Pool (Proprietary Fund Type) — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are considered uninsurable. The Pool is governed by a board which is appointed by the Governor with the advice and consent of the Senate. The reporting period for the Pool was changed from a calendar year to a fiscal year ending June 30 by the 2001 State Legislature. The accompanying financial statements include an 18 month time period for the Pool from January 1, 2000, to June 30, 2001, in order to transition to the new reporting period. Their report, dated September 18, 2001, has been previously issued under separate cover.
- Heber Valley Historic Railroad Authority (Proprietary Fund Type) — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The majority of the Authority's board is appointed by the State (three members appointed directly by the Governor and approved by the Senate and the Governor's executive director of the Department of Transportation) plus three local government officials from the Heber Valley. The State is able to impose its will on the Authority. Their compilation report, dated September 27, 2001, has been previously issued under separate cover.
- Utah Science Center Authority (Proprietary Fund Type) — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities in order to further the welfare of the citizens of the State and its economic growth. The majority of the Authority's board is appointed by the Governor with consent of the Senate. The State is able to impose its will on the Authority. The Authority's activity through June 30, 2001, is included in this report. A separate report is not required or prepared for the Authority.
- Utah State Fair Corporation (Proprietary Fund Type) — This is a nonprofit public corporation that operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It is governed by a board of directors appointed by the Governor and approved by the Senate. It receives state appropriations for operations and working capital. Their report, dated August 8, 2001, has been previously issued under separate cover.

### Blended Component Units

Blended component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

Utah State Building Ownership Authority (blended with the primary government's Debt Service and Capital Projects Funds, liabilities are reported as a part of the General Long-Term Obligation Account Group and fixed assets are reported as a part of the General Fixed Assets Account Group) — The Utah State Building Ownership Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing, operating, or encumbering facilities to meet the needs of state government. It is comprised of seven members who are appointed by the Governor.

### Discrete Component Units

Discrete component units are entities which are legally separate from the State but which are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units' columns of the combined financial statements include the financial data of these entities:

- Utah Housing Corporation, previously known as Utah Housing Finance Agency (Proprietary Fund Type) — The Corporation is a body politic and corporate, composed of nine members. Three of the members are state officials and six members are citizens appointed by the Governor. The Corporation issues bonds to provide capital for housing and home mortgages, especially for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees. The Corporation was audited by other independent auditors, and their report, dated August 20, 2001, has been previously issued under separate cover.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

- Colleges and Universities (College and University Funds) — The University of Utah, Utah State University, Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley State College, Dixie State College of Utah, College of Eastern Utah, and Snow College are individually presented in the College and University Funds. Each college and university is governed by a board of trustees. Each board of trustees is comprised of individuals appointed by the Governor and approved by the Senate, the president of the institution's alumni association, and the president of the institution's associated students. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. The colleges and universities were audited by the State Auditor or other independent auditors, and individual reports, dated from September 21, 2001, to October 26, 2001, have been previously issued under separate cover.

### Related Organization

Workers' Compensation Fund — This fund is a nonprofit quasi-governmental corporation. It provides workers' compensation insurance to private and public employers and is financed through member (employer) premiums. In prior years, the Fund was considered a discrete component unit of the State and included in the combined financial statements. However, the Fund was reevaluated and is no longer considered to be a discrete component unit and has been excluded from the financial statements. The Governor appoints the Fund's board of directors, but the State's financial accountability for the Fund does not extend beyond making the appointments.

### B. Fund Accounting

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, fund balances, equities, revenues, expenses, and expenditures.

The State uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Utah are classified in three fund categories, two account groups, and component units, as described below. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are composed of general fixed assets and general long-term obligations.

1. The State's governmental funds account for the State's general activities:

**The General Fund** is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. The services accounted for in the General Fund include, among others, general government, public safety, judicial, corrections, public health and welfare, business licensing and regulation, and higher education. Resources obtained from federal grants and used for services provided by General Fund entities, consistent with applicable legal requirements, are recorded in the General Fund.

**The Special Revenue Funds** (Uniform School Fund, Transportation Fund, Centennial Highway Fund, Sports Authority Fund, State Capitol Fund, Consumer Education Fund, Rural Development Fund, and Tobacco Endowment Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds include transactions related to the Offices of Education and Rehabilitation, the Department of Transportation, the Capitol Preservation Board, the Utah Sports Authority, the Department of Community and Economic Development, and the Department of Commerce – Securities Division and Consumer Protection Division.

**The Capital Projects Fund** accounts for resources obtained and used for the acquisition, construction, or improvement of certain capital facilities (except those financed by proprietary funds). Such resources are derived principally from proceeds of general obligation bond issues, revenue bonds, and operating transfers from the State's General Fund. The State enters into long-term contracts for the construction of major capital projects and records the commitments as encumbrances (See Note 6).

**The Debt Service Fund** accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations and on general revenue bonds which are funded from general governmental fund operations.

2. The proprietary funds account for the State's business-type activities:

**The Enterprise Funds** account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing the goods or services to the general public on a continuing basis should be financed primarily through user charges.

**The Internal Service Funds** are a variety of independent operations that provide goods and/or services to other state departments or other political subdivisions on a cost reimbursement basis. The largest funds are the Water Resources, Employees Group Insurance, Community Impact Loan, and Risk Management Funds. The Water Resources Loan Fund provides loans to local governments, water districts, and other entities for upgrading water storage facilities and related structures. The Employees Group Insurance Fund offers several health insurance programs to state and local government employees. The Community Impact Loan Fund provides loans to local governments to alleviate social, economic, and public financial impacts resulting from the development of the State's natural resources. Grants authorized by the Permanent Community Impact Fund Board amounting to \$7 million were transferred to and expended in the General Fund during the year. The Risk Management Fund provides a broad range of property and liability insurance coverage to most state agencies and to several voluntarily participating school districts.

3. The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals, other governmental units, or other funds:

**The Pension Trust Funds** account for the transactions, assets, liabilities, and fund equity of the retirement systems and plans administered by Utah Retirement Systems.

**The Investment Trust Fund** is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

**The Nonexpendable Trust Fund** accounts for the transactions, assets, liabilities, and fund equity of the School and Institutional Trust Lands. The Trust Lands Fund was created from the federal *Enabling Act of 1894* land grants and the sale of such lands. The Fund's principal is nonexpendable, whereas the earnings on the principal are used to increase the Fund's principal and to support education in the State.

**The Expendable Trust Funds** account for assets received and expended by the State as trustee, and include the following funds: Unemployment Compensation Trust, Deferred Compensation 457 Plan, Employers' Reinsurance Trust, Utah Navajo Trust, and miscellaneous small deposits and trusts held in a trustee capacity that are consolidated into the Restricted Trust Fund.

**The Agency Funds** account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

4. Account groups account for the State's fixed assets and long-term debt obligations:

**The General Fixed Assets Account Group** is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the Pension Trust Funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

**The General Long-Term Obligation Account Group** accounts for the State's unmatured long-term obligations related to general obligation bonds, revenue bonds, and capital lease obligations. Long-term obligations of the Proprietary Funds, Trust Funds, and the College and University Funds are accounted for in their respective funds.

5. The component units include College and University Funds and other proprietary type organizations which are legally separate from the State but are considered part of the reporting entity. The presentation of the underlying fund types of the individual component units reported in the discrete columns are available from each respective component unit's separately issued financial statements.

### C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

The Nonexpendable Trust Fund, Pension Trust Funds, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, Expendable Trust Funds, and Agency Funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and when available to finance operations during the year or to liquidate liabilities existing at the end of the year. Principal revenue



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

sources susceptible to accrual under the modified accrual basis of accounting include sales taxes, income taxes, other taxpayer-assessed taxes, federal revenues, departmental collections, and investment income. Expenditures are recorded when the fund liabilities are incurred. Modifications to the accrual basis of accounting include:

- Inventories of materials and supplies in the General Fund and Special Revenue Funds are recorded as expenditures when purchased, except for the following which are recorded as expenditures when consumed: food stamp inventories in the General Fund, inventories of applied technology centers in the Uniform School Fund (Special Revenue Funds), and inventories in the Transportation Fund (Special Revenue Funds).
- Prepaid expenses are immaterial and are not reported.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments of interest to be made early in the following year.

The accounts of the Enterprise, Internal Service, Nonexpendable Trust, Pension Trust, Investment Trust, and Proprietary Type Component Unit Funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The following proprietary funds apply all Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in the accounting and reporting of their operations: Enterprise Funds — Alcoholic Beverage Control, Utah Correctional Industries, State Trust Lands Administration, Agriculture Loan Fund, Clean Fuels Vehicle Loan Fund, Petroleum Storage Tank Loan Fund, Revitalization Programs, and Critical Land Conservation Fund; Internal Service Funds — Water Resources Loan Fund, Information Technology Fund, Community Impact Loan Fund, Transportation Infrastructure Loan Fund, General Services Fund, Fleet Operations, Human Services/Internal Service Fund, Office of Education/Internal Service Fund, Natural Resources/Internal Service Fund, Risk Management Fund, Property Management Fund, and State Debt Collection; Component Units — Utah Housing Corporation, Technology Finance Corporation, Comprehensive Health Insurance Pool, Utah Science Center Authority, and Utah State Fair Corporation.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements in the accounting and reporting of their operations: Enterprise Funds — Student Assistance Programs and Utah Dairy Commission; Internal Service Funds — Employees Group Insurance Fund; Component Units — Heber Valley Historic Railroad Authority.

The Component Unit College and University Funds are accounted for on the accrual basis of accounting, with the following exceptions:

- Depreciation expense related to plant fund assets is generally not recorded.
- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The presentation of component units is not meant to be a consolidation since transactions within the state entity have not been eliminated, nor have fixed assets or long-term debt been reported in the applicable state account groups. However, appropriations to the component units are recorded as operating transfers out of the General Fund and as operating transfers into the component unit organization.

### D. Budgeting and Budgetary Control

The state budgets are adopted on the modified accrual basis of accounting except for certain intrafund revenues and expenditures that are recognized for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, includes this variation from GAAP and is, therefore, prepared on a budgetary basis. The total variance from GAAP consists of the elimination of the intrafund activity and appropriations to colleges and universities which are identified in the combined statement mentioned above.

The Legislature enacts annual budgets for the General Fund, Special Revenue Funds, and the Debt Service Fund through passage of the annual *Appropriations Act*. Capital Projects Fund appropriations are for projects that may extend over several fiscal years.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by the *Appropriations Act*, or by limited encumbrances.

### Legal Compliance — Budgets

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

In January and February, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. During the fiscal year, supplemental appropriations of \$144.113 million were made for capital projects and \$70.139 million were provided to enhance various programs. The supplemental appropriations were possible because of increases in estimated unrestricted revenue and unreserved fund balances from prior years. However, due to a decrease in estimated revenues prior to yearend, the Governor reduced the budgetary allotments related to supplemental appropriations for capital projects by approximately \$56.6 million to cover the deficiency.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved by the Legislature, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by \$516 thousand and the Attorney General's budget was overexpended by \$493 thousand. These deficits will be funded with future appropriations. In the Transportation Fund (Special Revenue Fund), the budget for equipment management was overexpended by \$625 thousand. This will be recovered from future year revenues and appropriations. All other appropriated budgets of the State were within their authorized spending levels.

### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded to reserve that portion of the applicable appropriation, is used in the Capital Projects Fund as explained in Note 6. Generally, state law prohibits the use of current fiscal year appropriations to cover outstanding encumbrances at fiscal yearend in the General Fund or Special Revenue Funds. However, the one exception to this rule is if a purchase order for equipment is issued prior to May 1 and delivery is expected, but

unfulfilled, by June 30. If these conditions are met, the outstanding encumbrance can be carried as a nonlapsing appropriation.

These nonlapsing appropriations for qualified outstanding encumbrances at fiscal yearend are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

All other encumbrances outstanding at fiscal yearend may be canceled or may be re-encumbered and honored with subsequent year appropriations.

### E. Cash and Cash Equivalents and Investments

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Funds; Deferred Compensation 457 Plan (Expendable Trust Fund); Utah Housing Corporation and Utah Technology Finance Corporation (Component Units-Proprietary Funds); and Utah Public Employees Group Insurance (Internal Service Fund) are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash and Cash Equivalents — Cash equivalents are reported at fair value. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

Cash and cash equivalents, as reported on the balance sheet, are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments.

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Assistance Programs (Enterprise Fund) use a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

their trustee as investments. Trust Lands (Nonexpendable Trust Fund) and Employers' Reinsurance Trust (Expendable Trust Fund) consider assets held in mutual funds as investments. Utah Housing Corporation (Component Units – Proprietary Funds) considers only cash deposits, including certificates of deposits with maturities generally less than 90 days, to be cash equivalents.

- Investments, as reported on the balance sheet, include investments which are not considered cash equivalents. These investments may be restricted by law or other legal instruments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law. Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement Systems (Pension Trust Funds) mortgages are valued on an amortized cost basis which approximates fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

The State's Unemployment Compensation Trust (Expendable Trust Fund) moneys are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

The investments for College and University Funds (Component Unit) include \$5.374 million of revenue bonds issued by the Utah Housing Corporation (Component Unit). The investments for component units include \$345.344 million managed in the primary government's Public Treasurer's Investment Fund.

- Colleges and Universities — Certain funds are held in trust by external fiscal agents, selected by the donors. The agents distribute net income earned by such funds to the college or university named as beneficiary, where it is recorded as revenue when received. These funds are not recorded on the financial records of the college or university. The fair value of funds held in trust at June 30, 2001, was \$52.052 million.

### F. Receivables

- Accounts receivable in the governmental fund types consist mainly of the following: 1) amounts due from the federal government where collection is reasonably assured, accordingly, no allowance for uncollectible accounts has been established;

2) amounts due from non-custodial parents and other individuals for the State's Office of Recovery Services receivables, net of an allowance of \$47.703 million; and 3) amounts due from individuals for court and corrections related fines and fees, net of an allowance of \$6.15 million.

- Amounts included in Fleet Operations (Internal Service Fund) consist largely of amounts due from other public entities, and are shown net of an allowance for doubtful accounts of \$131 thousand. Amounts included in the Unemployment Compensation Trust (Expendable Trust Fund) consist largely of employer contributions for the quarter ended June 30 which were due to the State by July 31, and delinquent employer contributions and benefit overpayments, and are shown net of an allowance for doubtful accounts of \$5.057 million. Utah Retirement Systems (Pension Trust Funds) receivables consist of amounts due on investment contracts and on employee and employer contributions. Collection of these receivables is reasonably assured; therefore, no allowance for uncollectible accounts has been established.
- Accounts receivable (including pledges receivable) and notes receivable reported in the College and University Funds (Component Units) are shown net of an allowance for doubtful accounts of \$44.723 million and \$1.261 million, respectively. Gifts and pledges (promises of donations) are recognized when all applicable eligibility requirements are met and collection is probable. At June 30, 2001, \$16.908 million of pledges were unrecorded because applicable eligibility requirements were not yet met.
- Notes/mortgages receivable are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are non-interest bearing. Student loans in the Student Assistance Programs of the Enterprise Funds are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principal balance and, accordingly, an allowance of \$3.156 million has been made for potential loan losses. Loans receivable in Utah Technology Finance Corporation are reported net of a provision for loan losses of \$1.943 million. Utah Housing Corporation has recorded an allowance of \$535 thousand as a provision to cover losses on loans made.
- Designated accrued taxes include receivables for taxpayer-assessed taxes where the underlying exchange has occurred in the period ending June 30 or prior, net of applicable estimated refunds and an allowance of \$126.218 million. At June 30, 2001, changes in taxes receivable in the General Fund and Uniform School Fund resulted in a negative revenue of \$139 thousand and \$4.163 million in Restricted Taxes on the General Fund and Uniform School Fund's operating statements, respectively.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

- Receivables unbilled represent an amount equal to costs incurred by the Department of Transportation on highway construction projects which are eligible for reimbursement from the federal government upon modification of the related project contracts. When federal funds are available for recovery of the costs, the receivables will be billed.

### G. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

### H. Inter/Intrafund Transactions

Interfund Transactions — The State has three types of interfund transactions, as follows:

- Services rendered and employee benefit contributions — These transactions are accounted for as revenues, expenditures, or expenses in the funds involved.
- Operating appropriations/subsidies — These are accounted for as operating transfers in the funds involved.
- Equity and working capital contributions — These are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund retained earnings or contributed capital).

The composition of the State's interfund receivables and payables at June 30, 2001, is presented in Note 5. Operating and residual equity transfers are presented in Note 12.

Intrafund Transactions — Intrafund transactions, as a result of contracts between departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. However, in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, intrafund revenues and expenditures have been eliminated. The amount of the eliminations by fund is reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

### I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Proprietary Funds and College and University Funds inventories are valued at the lower of cost or market. Cost evaluation methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average

cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for the following which are recorded as expenditures when consumed: inventories for the Transportation Fund; inventories for applied technology centers in the Uniform School Fund; and food stamps coupon inventories in the General Fund. Transportation Fund inventories are valued using a weighted average cost. Applied technology center inventories are valued at cost, average cost, or lower of cost or market, using FIFO and retail methods. Food stamps are valued at coupon value and any unexpended balances at fiscal yearend are also reported as deferred revenues.

### J. Fixed Assets

Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Interest expense for fixed asset construction in the Enterprise Funds and in some colleges and universities is capitalized. All other interest expense incurred during construction of capital facilities is considered immaterial and is not capitalized. Public domain "infrastructure" general fixed assets are normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not capitalized by the primary government or its proprietary fund type component units. Colleges and universities capitalize infrastructure as buildings and improvements.

- Land is stated at cost or estimated cost at the time of acquisition. Donated land is valued at its estimated fair market value at the donation date. The majority of land in the Nonexpendable Trust Fund was acquired under the federal *Enabling Act of 1894*. At June 30, 2001, the total land held by the trust fund is 3,465 million acres, and the majority of this land is included for reporting purposes at the assigned value of approximately one dollar per acre. The University of Utah (College and University Funds) has valued all land acquired through federal grants at three thousand dollars per acre.
- Buildings and other fixed assets are recorded at historical cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.
- Fixed assets in the General Fixed Assets Account Group and in the College and University Funds are not depreciated, except for Utah State University and foundations and component units' fixed assets, which are included in the College and University Funds, and are stated net of accumulated depreciation of \$198.343 million. Buildings and equipment of Utah State University and the foundations and

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

other component units and proprietary and fiduciary fund types are depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 15 years on equipment. Automotive equipment in the Internal Service Funds is depreciated using a straight-line basis over an estimated life of 2 to 10 years depending on type.

- During the fiscal year, the College of Eastern Utah (CEU) and the Salt Lake Community College (SLCC) increased their equipment capitalization limits from \$500 to \$1,000 and to \$5,000, respectively. The effect was a one-time \$1.303 million and \$22.456 million decrease in CEU's and SLCC's recorded fixed assets.

### K. Deferred Charges

The amounts reported as deferred charges represent issuance costs on bonds amortized over the life of the issue using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

### L. Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. Interest accrued on general long-term debt due shortly after fiscal yearend is also reported in the Debt Service Fund as accrued liabilities.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations.

In the Debt Service Fund and the Utah Housing Corporation Fund (Component Unit), the arbitrage liability is treated as a reduction of interest revenues. At June 30, 2001, the State's total estimated arbitrage rebate liabilities in these funds were \$863 thousand and \$1.116 million, respectively. In the Student Assistance Programs Fund (Enterprise Fund) and the College and University Funds (Component Units), the arbitrage liability is treated as a current expense. At June 30, 2001, the total estimated arbitrage rebate liability in the Student Assistance Programs Fund was \$31.85 million, of which \$27.807 million represents yield reduction payments. In the College and University Funds, at June 30, 2001, the estimated liability for non-purpose interest arbitrage rebate was \$2.075 million.

### M. Deferred Revenue

Deferred revenues are recorded in governmental funds and expendable trust funds for revenues that are not collected soon enough after yearend to be used to pay expenditures and liabilities of the current fiscal year. Deferred revenues are also recorded for federal funds received in advance of the authorized expenditure. Special Revenue Funds' deferred revenues include amounts expended by the Transportation Fund on federally participating construction projects which are eligible for reimbursement but for which the funds are not available until a modified project agreement is submitted. These amounts will be billed to the federal government and recorded as revenue in future periods as funds become available. College and University Funds' deferred revenues consist primarily of summer school tuition and fees which will be recognized during the next fiscal year. Deferred revenues for the Student Assistance Programs Fund (Enterprise Fund) are primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

### N. Contractor Retention

Construction contracts awarded by the Department of Transportation (Special Revenue Fund) and those in the Capital Projects Fund usually include provisions to withhold a percentage of the payments until the project reaches a certain stage of completion. Utah law allows the departments to deposit these funds in an escrow account at the contractor's trustee bank at the time the expenditure is recognized. The State controls only the release of these funds; the assets in the accounts are considered the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in the financial statements in either the Transportation Fund or the Capital Projects Fund. At June 30, 2001, \$14.457 million from the Department of Transportation and \$5.03 million from the Capital Projects Fund were being held in contractor escrow accounts.

### O. Policy Claim Liabilities

The liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

### P. Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants in governmental and college and university funds are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met.

Federal grants include nonmonetary transactions for food and other commodities, food stamps, and land. Unexpended balances of food stamps at fiscal yearend are reported in the General Fund as inventory

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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Fiscal Year Ended June 30, 2001

and deferred revenue. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2001, the State reported revenue and expenditures of \$55.741 million for food assistance programs and \$7.742 million for commodities in the General Fund, and \$9.491 million for commodities in the Uniform School Fund (Special Revenue Fund).

### **Q. Bond Discounts/Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. Bond discounts in the College and University Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

### **R. Fund Equity**

Contributed capital is recorded in proprietary funds that have received capital grants, contributions from the public, or working capital transfers from other funds. There were no external capital contributions during the fiscal year. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### **S. Retirement and Employee Benefit Costs**

Most state employees participate in a pension system and/or plan administered by Utah Retirement Systems. Contributions collected for the pension systems and plans and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security benefits in governmental fund types are reported as personal service expenditures in the appropriate fund. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

### **T. Compensated Absences and Leave/Postemployment Benefits**

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of seven hours every two weeks after 20 years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Unused vacation leave is paid to employees upon termination.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The

State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. The employee may use any remaining sick leave balances to acquire health insurance to age 65, and since fiscal year 1999, health insurance for the employee's spouse until they reach age 65, and Medicare supplement insurance after age 65 for both the employee and their spouse. An estimate of the liability for the above leave and retirement benefits has been recorded in the operating funds of the State if funding was available.

In fiscal year 1994, the State implemented compensated absences and postemployment benefit pools within the General Fund and Special Revenue Funds. The pools hold assets to fund the liability for vacation leave and postemployment benefits. If the liability exceeds available funds in the pools they are reported in the Long-Term General Obligation Account Group. The pools' liabilities were funded with a one-time increase in fund equity from the accrual of taxpayer-assessed taxes. The pool is also funded with an accrual of the federal receivables for the federal share of the liability. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools.

The General Fund and Special Revenue Funds account for their liability for compensated absences and postemployment benefits within their own funds. Certain proprietary funds and expendable trust funds of the primary government have transferred their liability for vacation leave and postemployment benefits, along with related assets to fund the liability, to the General Fund Compensated Absences and Postemployment Benefit Pool.

The total liability for the primary government for vacation leave and postemployment benefits at June 30, 2001, was \$303.056 million, of which \$199.715 million was reported in the General Fund, \$20.97 million was reported in the Uniform School Fund, \$39.583 million was reported in the Transportation Fund, \$41.234 million was reported in the General Long-Term Obligation Account Group, and \$1.554 million was reported in the Pension Trust Funds by Utah Retirement Systems.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. Compensatory time is expended when earned.

College and Universities' (Component Units) vacation earnings, sick leave earnings, and postemployment benefits policies vary slightly among institutions and from the above. Vacation leave is expended when earned and sick leave is expended when used. At June 30, 2001, the total liability for unused vacation leave and postemployment benefits in the College and University Funds was \$54.803 million.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### U. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Capital Appreciation Bonds are reported in the General Long-Term Obligation Account Group at the original issue amount plus accreted interest. Long-term liabilities expected to be financed from proprietary funds, trust funds, and college and university funds operations are accounted for in those funds.

The amounts reported in the Combined Balance Sheet for the General Long-Term Obligation Account Group include: \$1.146 billion general obligation bonds, which will be paid from the General Fund and Special Revenue Fund appropriations as the bonds mature; \$237.193 million building lease revenue bonds, which will be repaid from rent payments from state agencies; \$3.93 million revolving loan revenue bonds, which are secured by notes receivable in the General Fund's Water Security Enhancement Revolving Loan Programs and will be paid from the collection of loans receivable; \$16.174 million of obligations under capital lease commitments; and \$41.234 million of postemployment benefits which will be paid by the General Fund (see Notes 7 and 8).

### V. Totals (Memorandum Only)

Total columns (Memorandum Only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

### W. Future Changes in Accounting Standards

The Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. These new accounting and reporting standards will impact the State's revenue and

expenditure recognition and assets, liabilities and fund equity reporting. The new standards will also require reformatting of the financial statements and the restating of beginning balances. The State will not be early implementing these statements, and due to the significance of the changes required, it is not possible to present pro-forma data prior to their implementation. Statements No. 34, 35, 37 and 38 will be implemented in fiscal year 2002.

### NOTE 2. BEGINNING FUND BALANCE/EQUITY ADJUSTMENTS AND OTHER CHANGES

#### Beginning Fund Balance/Equity Adjustments

An adjustment to reduce beginning retained earnings of the Component Units – Proprietary Funds of \$259.252 million was made in order to eliminate the beginning retained earnings for the Workers' Compensation Fund. As discussed in Note 1.A., the Workers' Compensation Fund was reevaluated and is no longer considered to be a discrete component unit and has been excluded from the financial statements.

Utah State University elected to begin recording depreciation for fixed assets in order to meet federal costing requirements and to present more fairly the value of its net investment in fixed assets. Beginning fund balance in the Component Units – College and University Funds was reduced by \$167.281 million to reflect accumulated depreciation through June 30, 2000. Utah State University also adjusted the value of certain buildings previously carried at an appraised value to an estimated historical cost value. Beginning fund balance was reduced by \$11.282 million for this change.

The applicable prior year total columns have been adjusted to reflect these changes.

#### GASB Statement 33 Changes

Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, was implemented. This statement requires receivables and revenues to be reported for "derived tax revenues" when the underlying exchange has occurred, and for "imposed nonexchange revenues," such as fines, when an enforceable legal claim has arisen. However, reporting nonexchange revenues requires that they be measurable and meet the "availability" criteria of modified accrual accounting as applicable. Based on implementing Statement 33 and reevaluating the reporting of other exchange-like transactions, the following additional receivables have been reported on the balance sheet.

- Designated accrued taxes of \$37.414 million, \$248.301 million, and \$4.435 million are reported net of allowances of \$17.065 million, \$107.25 million, and \$1.903 million in the General Fund, Uniform School Fund, and Transportation Fund, respectively. This includes delinquent taxes and estimated

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

taxes net of estimated refunds, where the underlying exchange has occurred prior to yearend, but collection was not made within 45 days of yearend. In prior years, designated accrued taxes included only taxes collected within 45 days of yearend.

- Accounts receivable of \$143.601 million have been reported in the General Fund for amounts due from non-custodial parents and other individuals for the State's Office of Recovery Services receivables, net of an allowance of \$47.703 million.
- Accounts receivable of \$24.708 million have been reported in the General Fund for amounts due from individuals for court and corrections related fines and fees, net of an allowance of \$6.15 million.
- Accounts receivable of \$19.008 million have been reported in the Unemployment Compensation Trust – Expendable Trust Fund, for employer contributions for the quarter ended June 30 which were due to the State by July 31.

For all of the above receivables, none of the related revenues were collected timely enough to be available to pay current year liabilities. Therefore, the corresponding revenues were deferred in the financial statements and there is no effect on fund balances. Due to the impracticality of obtaining prior year amounts, the receivables and deferred revenues reported as of June 30, 2000, in the Total (Memorandum Only) columns of the Combined Balance Sheet have not been restated.

Statement 33 also requires pledges (promises of donations) to be recognized when all applicable eligibility requirements are met and collection is probable. As a result, additional revenue and accounts receivable of \$65.698 million (net of allowance for doubtful accounts) have been reported in the College and University Funds (Component Units) for pledges. In prior years, pledges were recognized when received. Statement 33 does not require adjustments or restatements of prior year amounts for changes related to pledges, and accordingly, none were made.

### Unusual Reduction in Actuarial Estimates (Trust and Agency Funds)

The Employers' Reinsurance Fund (Expendable Trust Fund) is liable for claims incurred prior to July 1, 1994. The estimated actuarial liability has changed as better information is available from claims being reported and paid. This resulted in a gain of \$18.336 million, which is reported as miscellaneous revenue in the Trust and Agency Funds.

### NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the cash and cash equivalents and investments on the

June 30, 2001, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. Except certain repurchase agreements, all securities of the primary government purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

#### A. Deposits

At June 30, 2001, the carrying amount of the State's deposits for the primary government was \$133.385 million and \$101.113 million for the component units. At June 30, 2001, the bank balance was \$174.372 million and \$128.378 million for the primary government and component units, respectively. Of the bank balance for the primary government, \$4.093 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, \$3.734 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

#### B. Investments

Statutes authorize the State to invest in negotiable and non-negotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds and certain other funds and component units are not restricted by state statute.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and

unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

### Credit and Market Risks of Investments – Primary Government

(Expressed in Thousands)

	Category			Fair Value
	1	2	3	
Repurchase Agreements .....	\$ —	\$ 1,062	\$ 25,407	\$ 26,469
U.S. Government Securities .....	293,690	4,174	—	297,864
Negotiable Certificates of Deposit .....	105	—	—	105
Commercial Paper .....	109,930	—	—	109,930
Corporate Bonds and Notes .....	7,365,739	—	—	7,365,739
Equity Securities .....	7,280,779	—	—	7,280,779
Total .....	<u>\$ 15,050,243</u>	<u>\$ 5,236</u>	<u>\$ 25,407</u>	15,080,886
Mutual and Escrow Funds.....				1,448,846
Investment Contracts .....				66,702
Investment in U.S. Treasury				
Investment Pool.....				597,903
Component Units Investment in Primary				
Government's Investment Pool .....				(345,344)
Real Estate.....				625,778
Real Estate Mortgages.....				3,473
Real Estate Joint Ventures .....				509,866
Venture Capital.....				1,049,887
Investments Held by Broker-Dealers Under				
Securities Lending Program:				
U.S. Government Securities .....				579,861
Equity Securities .....				602,859
Corporate Bonds and Notes.....				264,797
Securities Lending Short-Term Collateral				
Investment Pool.....				1,501,058
Total Investments .....				<u>\$ 21,986,572</u>

The Pension Trust Funds own approximately 68.2 percent of the investments that are in Category 1.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Credit and Market Risks of Investments – Component Units (Expressed in Thousands)

	Category			Fair Value
	1	2	3	
Repurchase Agreements.....	\$ —	\$ 3,000	\$ 16,783	\$ 19,783
U.S. Government Securities.....	178,930	111,056	24,155	314,141
Negotiable Certificates of Deposit.....	2,133	—	546	2,679
Commercial Paper .....	—	—	1,999	1,999
Corporate Bonds and Notes.....	6,610	1,075	1,526	9,211
Equity Securities.....	25,984	17,332	15,574	58,890
Municipal and Public Utility Bonds .....	4,334	—	1,420	5,754
Total.....	<u>\$ 217,991</u>	<u>\$ 132,463</u>	<u>\$ 62,003</u>	<u>412,457</u>
Mutual and Escrow Funds .....				422,667
Investment Contracts .....				190,130
Investment in Primary Government's Investment Pool .....				345,344
Real Estate .....				12,725
Total Investments.....				<u>\$ 1,383,323</u>

### C. Securities Lending

The Utah Retirement Systems (Pension Trust Funds) and the Utah Public Employees Group Insurance Program (Internal Service Funds) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities for collateral received, which can be pledged or sold without a borrower default, are recorded at the fair value. At yearend there was no collateral which cannot be pledged or sold without a borrower default.

At yearend neither the Utah Retirement Systems nor Utah Public Employees Group Insurance Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were \$1.411 billion and \$36.288 million, respectively, and the collateral received for those securities on loan was \$1.465 billion and \$36.288 million,

respectively, with carrying amount and fair value being the same. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool. This cannot be determined by the state entities. Since the securities lending collateral is in a pool maintained by the custodial bank, it was not necessary to report the total income and expenses of securities lending.

### D. Derivative Financial Instruments

The Utah Retirement Systems (Pension Trust Funds) invests in derivative financial investments as authorized by Board policy. As of yearend, the Systems had two types of derivative financial instruments: futures and currency forwards.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

Futures represent commitments to purchase (asset) or sell (liability) securities or money market instruments at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing the Systems' credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At yearend the Systems' investments had the following future balances (expressed in millions):

	<b>Value Covered By Contract</b>
Long-equity futures .....	\$ 82.570
Short-equity futures.....	\$ (65.400)
Long-fixed income futures .....	\$ 15.041
Short-fixed income futures .....	\$ (7.235)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rates on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At yearend the Systems' investments included the following currency forwards balances (expressed in millions):

Currency forwards ( <i>pending foreign exchange purchases</i> ) .....	\$ 742.454
Currency forwards ( <i>pending foreign exchange sales</i> ) .....	\$ (756.444)

The Utah Housing Corporation enters into various rate swap contracts as part of its overall funding strategy. The objective of these financial instruments is to increase the volume of funding available to purchase qualified homes under the Corporation's low to moderate-income programs. The Corporation's ability to keep its Single-Family program active without lags in funding is critical to its success. The federally imposed volume cap on tax-exempt bond issuances is inadequate to provide the resources currently demanded by these programs. To meet these demands and increase its funding

capabilities, the Corporation sells variable rate bonds. Floating-to-fixed interest rate swap contracts allows the Corporation to manage the inherent interest rate risk associated with variable rate debt. The amount of these contracts at June 30, 2001, is \$122.8 million.

### NOTE 4. INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balances to fair value.

The PTIF condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2001, are as follows:

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**Public Treasurer's Investment Fund**  
**Statement of Net Assets**  
**June 30, 2001**  
*(Expressed in Thousands)*

<b>Assets</b>	
Cash and Cash Equivalents .....	\$ 130,087
Investments .....	4,627,051
Interest Receivable .....	26,450
Net Assets.....	<u>\$ 4,783,588</u>
<b>Net Assets Consist of:</b>	
External Participant Account Balances .....	\$ 3,037,354
Internal Participant Account Balances:	
Primary Government .....	1,389,797
Component Units .....	345,344
Undistributed Reserves and Unrealized Gains/Losses .....	11,093
Net Assets.....	<u>\$ 4,783,588</u>
Participant Account Balance Net Asset Valuation Factor ....	<u>1.000074</u>

**Public Treasurer's Investment Fund**  
**Statement of Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2001**  
*(Expressed in Thousands)*

<b>Additions</b>	
Pool Participant Deposits .....	\$ 6,389,282
Investment Income:	
Investment Earnings .....	280,620
Fair Value Increases (Decreases).....	260
Total Investment Income .....	280,880
Less Administrative Expenses.....	149
Net Investment Income.....	<u>280,731</u>
Total Additions .....	<u>6,670,013</u>
<b>Deductions</b>	
Pool Participant Withdrawals.....	5,777,623
Earnings Distributions.....	278,649
Total Deductions.....	<u>6,056,272</u>
Net Increase From Operations .....	<u>613,741</u>
<b>Net Assets</b>	
Beginning of Year .....	4,169,847
Net Assets – End of Year.....	<u>\$ 4,783,588</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 2001, the PTIF investments included certificates of deposit of \$59.5 million that

qualify as deposits. Of this amount, \$900 thousand was covered by the Federal Deposit Insurance Corporation (FDIC) and \$58.6 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

**Public Treasurer's Investment Fund**  
**Credit and Market Risks of Investments**  
**June 30, 2001**  
*(Expressed in Thousands)*

	<b>Category</b>	
	<b>1</b>	<b>Fair Value</b>
U.S. Government Securities.....	\$ 239,956	\$ 239,956
Commercial Paper .....	105,767	105,767
Corporate Bonds and Notes.....	4,351,915	4,351,915
Total Investments.....	<u>\$ 4,697,638</u>	<u>\$ 4,697,638</u>

### Public Treasurer's Investment Fund Portfolio Statistics:

<b>June 30, 2001</b>		
	<b>Range of Yields</b>	<b>Weighted Average Maturity</b>
Certificates of Deposit .....	4.00% – 5.23%	50 days
U.S. Government Securities.....	4.63% – 7.30%	392 days
Commercial Paper .....	4.15% – 4.35%	2 days
Corporate Bonds and Notes.....	3.80% – 7.24%	47 days

  

<b>June 30, 2001</b>		
	<b>Weighted Average Yield</b>	<b>Average Adjusted Maturity</b>
Total Investment Fund .....	4.42%	63 days

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 5. DUE FROM/TO OTHER FUNDS

At June 30, 2001  
(Expressed in Thousands)

	Interfund Receivables	Interfund Payables
General Fund.....	\$ 39,889	\$ 9,702
Special Revenue Funds:		
Uniform School.....	1,726	503
Transportation .....	55,529	30,075
Centennial Highway Fund.....	17,156	55,335
Sports Authority Fund.....	—	1
State Capitol Fund .....	20	342
Consumer Education Fund.....	—	5
Rural Development Fund .....	—	34
Tobacco Endowment Fund.....	9	37
Capital Projects Fund.....	14,191	2,281
Debt Service Fund .....	16,628	170
Enterprise Funds:		
Alcoholic Beverage Control.....	243	10,506
Utah Correctional Industries .....	1,736	436
State Trust Lands Administration.....	1	4,720
Agriculture Loan Fund.....	6	17
Clean Fuels Vehicle Loan Fund .....	20	146
Revitalization Programs .....	—	38
Critical Land Conservation Fund.....	—	4
Internal Service Funds:		
Water Resources Loan Fund .....	95	8
Information Technology .....	4,659	1,871
Employees Group Insurance .....	—	1,295
Community Impact Loan Fund .....	—	51
General Services.....	2,027	1,836
Fleet Operations .....	4,213	17,035
Human Services/Internal Service .....	50	239
Office of Education/Internal Service.....	185	79
Natural Resources/Internal Service.....	899	1,774
Administrative Services Risk Management.....	1,568	1,046
Property Management .....	758	81
State Debt Collection .....	—	399
Trust and Agency Funds:		
Nonexpendable Trust .....	4,616	—
Expendable Trust:		
Unemployment Compensation Trust.....	1	3,424
Employers' Reinsurance Trust .....	—	4
Utah Navajo Trust .....	72	2
Restricted Trust .....	21	1,077
Agency:		
County and Local Collections Fund.....	6,811	—
Deposits, Suspense, and Miscellaneous .....	231	—
Component Units:		
Proprietary Funds:		
Utah State Fair Corporation .....	—	2
College and University Funds:		
University of Utah.....	1,154	17,720
Utah State University .....	—	896
Weber State University.....	—	5,446
Southern Utah University.....	—	—
Salt Lake Community College .....	—	1,853
Utah Valley State College .....	—	1,803
Dixie State College of Utah .....	—	—
College of Eastern Utah .....	—	1,698
Snow College .....	—	523
Total .....	\$ 174,514	\$ 174,514

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 6. FIXED ASSETS

#### Changes in the General Fixed Assets Account Group (Expressed in Thousands)

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
<b>General Fixed Assets:</b>				
Land .....	\$ 158,166	\$ 21,264	\$ 2,191	\$ 177,239
Buildings and Improvements .....	940,253	51,746	34,708	957,291
Machinery and Equipment .....	243,531	35,750	18,692	260,589
Construction-In-Progress .....	30,284	50,657	58,330	22,611
Total General Fixed Assets.....	<u>\$ 1,372,234</u>	<u>\$ 159,417</u>	<u>\$ 113,921</u>	<u>\$ 1,417,730</u>

At June 30, 2001, fixed assets for Enterprise Funds, Internal Service Funds, Trust Funds, and Component Units consisted of the following amounts (expressed in thousands):

	Primary Government			Component Units	
	Enterprise Funds	Internal Service Funds	Trust Funds	Colleges and Universities	Proprietary Funds
Land .....	\$ 10,352	\$ —	\$ 7,937	\$ 62,615	\$ 751
Buildings and Improvements .....	22,564	8,224	10,200	1,950,364	2,917
Machinery and Equipment .....	10,981	194,358	2,930	834,592	3,945
Accumulated Depreciation .....	(11,208)	(111,024)	(5,874)	(198,343)	(3,221)
Construction-In-Progress .....	300	961	—	185,511	—
Total Fixed Assets .....	<u>\$ 32,989</u>	<u>\$ 92,519</u>	<u>\$ 15,193</u>	<u>\$ 2,834,739</u>	<u>\$ 4,392</u>

#### Investment in General Fixed Assets by Source (Expressed in Thousands)

	2000	2001
General Fund .....	\$ 1,039,599	\$ 1,072,997
Special Revenue Funds:		
Uniform School Fund .....	101,677	106,489
Transportation Fund .....	196,660	210,611
Capital Projects Fund .....	30,284	22,611
Utah Navajo Trust Fund .....	4,014	5,022
Total Investment in General Fixed Assets.....	<u>\$ 1,372,234</u>	<u>\$ 1,417,730</u>

Construction-In-Progress retirements are transferred as additions to land and buildings. These additions represent land of \$8.7 million and buildings of \$49.6 million. If Construction-In-Progress expenditures are in excess of current authorization, deficits will be funded from additional appropriations for phase-funded projects, from additional funding from a participating agency, or from the capital projects contingency funds. Construction-In-Progress in the Capital Projects Fund at June 30, 2001, consisted of the following:

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Capital Projects Fund Construction-In-Progress (Expressed in Thousands)

Project	Description	Amount Authorized	Amount Expended	Balance Authorized
01020	DFCM Four Campus Classroom Project .....	\$ 50,757	\$ 222	\$ 50,535
98239	State Hospital Rampton Building Phase II .....	13,762	964	12,798
99006	National Guard – Camp Williams Readiness Center .....	9,018	852	8,166
97027	Vernal District Courts Building .....	7,207	5,980	1,227
99032	Corrections and Board of Pardons Building .....	6,938	6,481	457
97034	DNR/Wildlife Fountain Green Fish Hatchery.....	2,682	2,497	185
00015	Parks & Recreation Bear Lake State Park New Campground.	2,085	2,048	37
00017	Logan Courts Facility .....	2,001	1,799	202
00013	O/W ATC New MTCE Building/DDO Training Facility.....	1,582	743	839
00019	Utah Community Center for the Deaf Addition.....	1,253	171	1,082
00020	Cache Junction DOT Maintenance Station .....	911	32	879
—	All Others.....	1,142	822	320
	Total.....	<u>\$ 99,338</u>	<u>\$ 22,611</u>	<u>\$ 76,727</u>

The State had long-term construction project commitments totaling \$107.181 million at June 30, 2001. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund:

### Capital Projects Fund Construction Project Commitments (Expressed in Thousands)

Project	Description	Remaining Construction Commitment
00027	U of U Hospital Expansion .....	\$ 28,033
00011	USU – New Heating Plant.....	24,756
99006	Camp Williams Readiness Center .....	8,732
96165	UVSC – Information Science Building .....	6,073
98229	WSU – Ethel Wattis Kimball Visual Arts Building .....	4,928
97034	DNR/Wildlife Fountain Green Fish Hatchery.....	4,108
99036	SLCC – Applied Education Center Purchase.....	3,608
97003	UVSC – Student Center Expansion Phase III.....	3,113
99033	SLCC – Redwood Campus College Center Addition .....	2,874
98024	U of U – Cowles Building Renovation .....	2,451
00232	DOT – US Highway 40 Maintenance Station.....	1,534
99034	SLCC – Jordan Campus Student Activity Center .....	1,274
99220	WSU – Stewart Stadium Expansion .....	1,176
97027	Vernal District Courts Building .....	1,100
—	All Others.....	13,421
	Total Commitments.....	<u>\$ 107,181</u>



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 7. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or in the appropriate proprietary or college and university fund types described below.

Assets acquired through capital leasing are valued at the inception of the lease at either the lower of fair value or the present value of the future minimum lease payments. Capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital leases for the College and University Funds are reported in those funds along with the related assets. Capital lease obligations for the governmental type funds are reported in the General Long-Term Obligation Account Group, and the related assets are reported in the General Fixed Assets Account Group.

General government capital lease payments of \$1.063 million in principal and \$1.204 million in interest for the fiscal year ended June 30, 2001, are reported as an expenditure by governmental function.

Operating leases (leases on assets not recorded in the balance sheet) contain various renewal options, as well as some purchase options. However, due to the nature of the leases, the related assets were not classified as capital assets. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The total operating lease expenditures for fiscal year 2001, were \$26.335 million for the primary government and \$13.330 million for component units. For fiscal year 2000, the total operating lease expenditures were \$25.591 million for the primary government and \$15.281 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2001, were as follows:

### Future Minimum Lease Commitments (Expressed in Thousands)

Fiscal Year	Operating Leases			Capital Leases			
	Primary Government	Component Units	Total	Primary Government		Component Units	Total
				Long-Term Obligation Account Group	Enterprise Funds	College and University Funds	
2002 .....	\$ 17,189	\$ 15,259	\$ 32,448	\$ 2,353	\$ 83	\$ 15,448	\$ 17,884
2003 .....	14,920	12,914	27,834	2,365	83	14,279	16,727
2004 .....	12,181	11,182	23,363	2,358	20	12,712	15,090
2005 .....	7,750	9,598	17,348	2,365	—	10,035	12,400
2006 .....	5,460	7,828	13,288	2,361	—	5,714	8,075
2007–2011 .....	6,916	31,334	38,250	8,135	—	49,535	57,670
2012–2016 .....	1,887	1,426	3,313	2,776	—	1,308	4,084
2017–2021 .....	473	175	648	1,107	—	—	1,107
2022–2026 .....	211	179	390	799	—	—	799
2027–2031 .....	—	62	62	—	—	—	—
Total Future Minimum Lease Payments .....	<u>\$ 66,987</u>	<u>\$ 89,957</u>	<u>\$ 156,944</u>	24,619	186	109,031	133,836
Less Amounts Representing Interest .....				8,445	18	25,981	34,444
Present Value of Future Minimum Lease Payments .....				<u>\$ 16,174</u>	<u>\$ 168</u>	<u>\$ 83,050</u>	<u>\$ 99,392</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Changes in Capital Lease Long-Term Obligations (Expressed in Thousands)

	Primary Government		Component Units	
	Long-Term Obligation Account Group	Enterprise Funds	College and University Funds	Total
Balance at July 1, 2000.....	\$ 13,947	\$ 259	\$ 55,323	\$ 69,529
Increase in Lease Obligations .....	3,290	—	68,728	72,018
Decrease in Lease Obligations.....	(1,063)	(91)	(41,001)	(42,155)
Balance at June 30, 2001 .....	<u>\$ 16,174</u>	<u>\$ 168</u>	<u>\$ 83,050</u>	<u>\$ 99,392</u>

#### NOTE 8. BONDS AND NOTES PAYABLE

##### A. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities, highways, and water management for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2001, the State had \$15.35 million and \$132.25 million of authorized but unissued general obligation building and highway bond authorizations remaining, respectively. Of the remaining unissued

building and highway bonds, \$13.75 million and \$126.25 million were issued in July 2001, respectively.

During fiscal year 2001, the State issued \$15 million Series 2001A general obligation bonds. The proceeds were used for various state building projects.

In fiscal year 1999 the State issued \$358 million Series 1999 A, B, C, & D adjustable rate general obligation bonds. For fiscal year 2001, the State's average interest rate for the Series 1999 A, B, C & D adjustable rate bonds was 3.67 percent. In the general obligation bond debt service requirements to maturity schedule, the interest rate used to project debt service requirements was 4.5 percent.

General Obligation Bonds Payable presented in the General Long-Term Obligation Account Group consist of the following:

#### General Obligation Bonds Payable (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2001
1995 AB Capital Facility Issue.....	07/01/95	2001	6.00%	\$ 45,000	45,000
1996 Capital Facility Issue .....	07/01/96	2002	5.00%	\$ 20,000	20,000
1997 ABCDE Highway/Capital Facility Issue .	07/01/97	2001–2012	4.80% to 5.50%	\$ 200,000	200,000
1997 F Highway Issue .....	08/01/97	2001–2012	5.00% to 5.50%	\$ 205,000	205,000
1998 A Highway/Capital Facility Issue.....	07/07/98	2001–2012	5.0%	\$ 265,000	265,000
1999 ABCD Highway Issue .....	05/20/99	2001–2014	variable	\$ 358,000	358,000
1999 E Capital Facility Issue.....	07/01/99	2004	4.50%	\$ 38,000	38,000
2001 A Capital Facility Issue .....	01/24/01	2004	4.0%	\$ 15,000	15,000
Total General Obligation Bonds Payable .....					<u>\$ 1,146,000</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**General Obligation Bond Issues**  
**Debt Service Requirements to Maturity**  
**For Fiscal Years Ended June 30**  
*(Expressed in Thousands)*

Fiscal Year	Principal					
	1995 AB Capital Facility	1996 Capital Facility	1997 A-E Highway/Capital Facility	1997 F Highway Bonds	1998 A Highway/Capital Facility	1999 A-D Highway Bonds
2002 .....	\$ 45,000	\$ —	\$ 8,250	\$ 12,625	\$ 26,925	\$ —
2003 .....	—	20,000	33,700	13,325	30,525	21,000
2004 .....	—	—	49,175	14,075	38,150	21,700
2005 .....	—	—	9,675	14,825	14,975	22,400
2006 .....	—	—	10,200	15,625	15,850	23,200
2007–2011 ....	—	—	60,025	91,300	93,725	129,000
2012–2016 ....	—	—	28,975	43,225	44,850	140,700
Total .....	<u>\$ 45,000</u>	<u>\$ 20,000</u>	<u>\$ 200,000</u>	<u>\$ 205,000</u>	<u>\$ 265,000</u>	<u>\$ 358,000</u>

Continues Below

Fiscal Year	Principal				
	1999 E Capital Facility	2001 A Capital Facility	Total Principal Required	Interest Required	Total Amount Required
2002 .....	\$ —	\$ —	\$ 92,800	\$ 51,415	\$ 144,215
2003 .....	—	—	118,550	45,424	163,974
2004 .....	—	—	123,100	39,132	162,232
2005 .....	38,000	15,000	114,875	33,742	148,617
2006 .....	—	—	64,875	30,485	95,360
2007–2011 ....	—	—	374,050	98,763	472,813
2012–2016 ....	—	—	257,750	11,421	269,171
Total .....	<u>\$ 38,000</u>	<u>\$ 15,000</u>	<u>\$ 1,146,000</u>	<u>\$ 310,382</u>	<u>\$ 1,456,382</u>

**Changes in General Obligation Bonds**  
*(Expressed in Thousands)*

Balance at July 1, 2000.....	\$ 1,212,325
New Bonds Issued:	
2001 A Capital Facility.....	15,000
Bonds Retired.....	(81,325)
Balance at June 30, 2001 .....	<u>\$ 1,146,000</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### B. Revenue Bonds

Revenue bonds payable consist of those issued by the Utah Housing Corporation, the Utah State Board of Regents Student Loan Purchase Program, the Utah State Building Ownership Authority, the State, and the various colleges and universities. These bonds are not considered general obligations of the State.

The Utah Housing Corporation bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage payments. Outstanding bonds payable are reported in the component units. Of the total reported bonds payable, \$362 thousand represents deferred interest on revenue bonds outstanding.

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. Outstanding bonds payable are reported in the Enterprise Funds.

The Utah State Building Ownership Authority has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bonds payable at June 30, 2001, is reported in the General Long-Term Obligation Account Group, except for \$10.525 and \$1.275 million which are reported

in Alcoholic Beverage Control Fund, and Utah Correctional Industries Fund (Enterprise Funds) respectively, and \$1.085 million reported in the Fleet Operations Fund (Internal Service Fund).

The Utah State Building Ownership Authority has also issued refunding bonds. The 1998 C lease revenue bonds were used to refund portions of the 1994 A, 1995 A, and 1996 A lease revenue bonds. The bonds are secured by the facilities, and repayments are made from lease income.

The State has issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables. Of the bonds payable outstanding at June 30, 2001, \$3.93 million are reported in the General Long-Term Obligation Account Group and \$4.745 million in the Water Resources Loan Fund (Internal Service Fund).

The colleges and universities issue bonds for various purposes, including student housing, special events centers, and student union centers. The bonds are secured by the related assets, student building fees, and other income of certain college activities. Outstanding bonds payable are reported in the College and University Funds.

Revenue Bonds Payable presented on the Combined Balance Sheet consist of the following:

### Revenue Bonds Payable – Component Units (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2001
Utah Housing Corporation Issues.....	1986–2001	2001–2042	3.0% to 10.75%	\$ 2,411,967	\$ 1,142,737
Colleges and Universities					
Revenue Bonds.....	1987–2000	2003–2029	2.5% to 8.49%	\$ 399,860	311,198
Total Revenue Bonds Outstanding ...					1,453,935
Utah Housing Corporation					
Deferred Interest Payable .....					362
Colleges and Universities					
Less Unamortized Discounts .....					(90)
Total Revenue Bonds Payable .....					<u>\$ 1,454,207</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Revenue Bonds Payable – Primary Government (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2001
1988 and 1993 Board of Regents Student Loan Indentures .....	1988–2001	1998–2040	3.9% to 6.7% and variable	\$1,056,485	\$ 1,032,505
1992 A Revolving Loan Recapitalization Program .....	04/15/92	1993–2004	4.0% to 6.6%	\$ 5,065	1,620
1992 B Revolving Loan Recapitalization Program .....	06/01/92	1993–2004	3.4% to 6.3%	\$ 9,935	3,125
1992 A Utah State Building Ownership Authority Refunding .....	07/15/92	1993–2011	5.30% to 5.75%	\$ 26,200	18,335
1992 B Utah State Building Ownership Authority .....	07/15/92	1994–2011	4.0% to 6.0%	\$ 1,380	995
1993 A Utah State Building Ownership Authority .....	12/01/93	1995–2013	4.5% to 5.25%	\$ 6,230	4,550
1993 B Utah State Building Ownership Authority .....	12/01/93	1995–2014	4.5% to 5.25%	\$ 8,160	6,135
1994 A Utah State Building Ownership Authority .....	09/01/94	1995–2018	5.0% to 6.25%	\$ 30,915	7,030
1995 A Utah State Building Ownership Authority .....	07/01/95	1996–2018	5.0% to 5.75%	\$ 93,000	22,160
1995 Water Refunding .....	10/04/95	1996–2005	5.125%	\$ 8,430	3,930
1996 A Utah State Building Ownership Authority .....	07/01/96	1997–2019	5.5% to 6.0%	\$ 44,725	10,625
1996 B Utah State Building Ownership Authority .....	11/01/96	1999–2013	5.0% to 5.4%	\$ 16,875	14,395
1997 A Utah State Building Ownership Authority .....	12/01/97	1999–2018	4.6% to 5.125%	\$ 4,150	3,810
1998 A Utah State Building Ownership Authority .....	07/01/98	1999–2020	3.75% to 5.25%	\$ 25,710	21,200
1998 B Utah State Building Ownership Authority – Capital Appreciation .....	07/22/98	2005	4.65%	\$ 23,091	26,433
1998 C Utah State Building Ownership Authority .....	08/15/98	2000–2019	3.8% to 5.5%	\$ 105,100	105,010
1999 A Utah State Building Ownership Authority .....	08/01/99	2001–2021	5.25% to 5.50%	\$ 9,455	9,400
Total Revenue Bonds Outstanding ....					1,291,258
Student Loan Purchase Program Less Unamortized Discount .....					(11)
Total Revenue Bonds Payable .....					<u>\$ 1,291,247</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**Revenue Bond Issues – Primary Government  
Debt Service Requirements to Maturity  
For Fiscal Years Ended June 30  
(Expressed in Thousands)**

Fiscal Year	Principal					
	Student Loan Programs	1992 A Revolving Loan Recap Program	1992 B Revolving Loan Recap Program	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority
2002.....	7,540	505	980	1,240	65	285
2003.....	7,950	540	1,040	1,310	70	300
2004.....	8,900	575	1,105	1,380	75	315
2005.....	12,490	—	—	1,460	80	330
2006.....	27,300	—	—	1,545	85	345
2007–2011.....	108,825	—	—	9,215	500	2,010
2012–2016.....	44,345	—	—	2,185	120	965
2017–2021.....	3,600	—	—	—	—	—
2022–2026.....	135,000	—	—	—	—	—
2027–2031.....	80,000	—	—	—	—	—
2032–2036.....	384,555	—	—	—	—	—
2037–2041.....	212,000	—	—	—	—	—
Total.....	<u>\$1,032,505</u>	<u>\$ 1,620</u>	<u>\$ 3,125</u>	<u>\$ 18,335</u>	<u>\$ 995</u>	<u>\$ 4,550</u>

Continues Below

Fiscal Year	Principal					
	1994 A Utah State Building Ownership Authority	1995 A Utah State Building Ownership Authority	1995 Water Refunding	1996 A Utah State Building Ownership Authority	1996 B Utah State Building Ownership Authority	1997 A Utah State Building Ownership Authority
2002.....	1,620	3,275	910	1,540	900	145
2003.....	1,710	3,450	955	1,630	945	155
2004.....	1,805	3,575	1,005	1,720	995	160
2005.....	1,895	3,760	1,060	1,820	1,040	170
2006.....	—	3,945	—	1,905	1,095	180
2007–2011.....	—	4,155	—	2,010	6,370	1,035
2012–2016.....	—	—	—	—	3,050	1,330
2017–2021.....	—	—	—	—	—	635
2022–2026.....	—	—	—	—	—	—
2027–2031.....	—	—	—	—	—	—
2032–2036.....	—	—	—	—	—	—
2037–2041.....	—	—	—	—	—	—
Total.....	<u>\$ 7,030</u>	<u>\$ 22,160</u>	<u>\$ 3,930</u>	<u>\$ 10,625</u>	<u>\$ 14,395</u>	<u>\$ 3,810</u>

Continues Below

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**Revenue Bond Issues – Primary Government (continued)**  
**Debt Service Requirements to Maturity**  
**For Fiscal Years Ended June 30**  
*(Expressed in Thousands)*

Fiscal Year	Principal			Total Principal Required	Total Interest	Total Amount Required
	1998 B Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority	1999 A Utah State Building Ownership Authority			
2002 .....	—	50	265	21,930	60,770	82,700
2003 .....	—	50	300	23,135	59,578	82,713
2004 .....	—	50	310	24,835	58,283	83,118
2005 .....	26,433	55	330	53,933	62,052	115,985
2006 .....	—	1,120	345	38,985	55,452	94,437
2007–2011 .....	—	34,655	2,025	177,275	244,324	421,599
2012–2016 .....	—	47,985	2,620	109,520	212,407	321,927
2017–2021 .....	—	21,045	3,205	30,090	190,224	220,314
2022–2026 .....	—	—	—	135,000	181,306	316,306
2027–2031 .....	—	—	—	80,000	146,435	226,435
2032–2036 .....	—	—	—	384,555	96,760	481,315
2037–2041 .....	—	—	—	212,000	39,047	251,047
Total .....	<u>\$ 26,433</u>	<u>\$ 105,010</u>	<u>\$ 9,400</u>	<u>\$ 1,291,258</u>	<u>\$ 1,406,638</u>	<u>\$ 2,697,896</u>

**Revenue Bond Issues – Component Units**  
**Debt Service Requirements to Maturity**  
**For Fiscal Years Ended June 30**  
*(Expressed in Thousands)*

Fiscal Year	Principal		Total Principal Required	Interest Required	Total Amount Required
	Utah Housing Corporation	Colleges and Universities			
2002 .....	96,148	11,150	107,298	77,183	184,481
2003 .....	21,618	13,168	34,786	76,613	111,399
2004 .....	24,948	14,288	39,236	74,610	113,846
2005 .....	26,409	15,347	41,756	72,404	114,160
2006 .....	28,474	16,353	44,827	70,023	114,850
2007–2011 .....	159,068	87,736	246,804	310,597	557,401
2012–2016 .....	160,462	62,490	222,952	243,156	466,108
2017–2021 .....	188,731	34,847	223,578	179,162	402,740
2022–2026 .....	234,240	32,278	266,518	108,112	374,630
2027–2031 .....	175,589	23,541	199,130	36,002	235,132
2032–2036 .....	24,435	—	24,435	2,972	27,407
2037–2041 .....	2,500	—	2,500	284	2,784
2042–2046 .....	115	—	115	3	118
Total .....	<u>\$ 1,142,737</u>	<u>\$ 311,198</u>	<u>\$ 1,453,935</u>	<u>\$ 1,251,121</u>	<u>\$ 2,705,056</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Changes in Revenue Bonds Outstanding (Expressed in Thousands)

	Primary Government				Total Revenue Bonds Outstanding
	Proprietary Funds	General Long-Term Obligation	Total Primary Government	Component Units	
Balance at July 1, 2000.....	\$ 888,550	\$ 251,570	\$ 1,140,120	\$ 1,412,042	\$ 2,552,162
New Bonds Issued:					
Student Loan Programs.....	258,500	—	258,500	—	258,500
Utah Housing Corporation.....	—	—	—	200,123	200,123
Colleges and Universities .....	—	—	—	17,457	17,457
Accretion .....	—	1,187	1,187	—	1,187
Bonds Retired .....	(96,915)	(11,634)	(108,549)	(175,687)	(284,236)
Balance at June 30, 2001 .....	<u>\$ 1,050,135</u>	<u>\$ 241,123</u>	<u>\$ 1,291,258</u>	<u>\$ 1,453,935</u>	<u>\$ 2,745,193</u>

### C. Conduit Debt Obligations

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 2001, \$7.905 million of Variable Rate Demand Industrial Development Bonds are outstanding.

### D. Demand Bonds

The \$358 million Series 1999 A, B, C, & D adjustable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the State's remarketing agent. Conversely, the State has the ability to convert any or all of the Series 1999 A, B, C, & D general obligation bonds into fixed rate debt, upon not fewer than 15 days notice to bondholders. The remarketing agent is paid a fee equal to .07 percent per annum of the weighted average principal amount of each series of bonds outstanding on a quarterly basis.

In the event the bonds cannot be remarketed, the State has a separate standby bond purchase agreement for each bond series with Toronto-Dominion Bank acting through its Houston Agency. The agreement provides an amount sufficient to pay the purchase price of each of the respective series of bonds equal to the principal and up to 39 days accrued interest at a maximum rate of ten percent per annum. The Standby Agreement also contains a take out provision for bonds that are held by the bank upon expiration of the credit agreement that will allow the State to convert the bonds to a two year installment loan with interest payable monthly and principal

due at the end of the term. If the installment provision were in place, the interest rate would be ten percent and cost the State \$35.8 million per year in interest expense, assuming all of the bonds were not remarketed. The Standby Agreement is valid through September 13, 2002.

In consideration for the Liquidity Facility, the State is charged six basis points of the principal outstanding, less any advances outstanding on a quarterly basis. The interest rate for Liquidity Advances is the Federal Funds rate plus one-half percent for the first 30 days. For advances outstanding longer than 30 days or outstanding under the installment provision, the rate charged is the greater of the Federal Funds or prime rate plus a margin dependent upon the amount of time the advance is outstanding, not to exceed ten percent per annum. As of June 30, 2001, the State had not drawn any funds under the Standby Bond Purchase Agreement.

The Student Loan Purchase Program had \$240.555 million of demand bonds outstanding at June 30, 2001, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the Board's remarketing agent.

In the event bonds cannot be remarketed, the Board has standby bond purchase agreements and a letter of credit agreement sufficient to pay the purchase price of bonds delivered to it. The Board pays quarterly fees to maintain the standby bond purchase agreements and letter of credit on the demand bonds.

An unused irrevocable direct-pay letter of credit expiring November 15, 2004, in the amount of \$37.462 million supports the Series 1993 A bonds of \$35 million. The standby bond purchase agreements include the amount of \$110.677 million expiring November 15, 2005, to support Series 1988 C and 1995 L bonds of \$104.5 million, and the amount of \$108.42 million expiring May 16, 2005, to



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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Fiscal Year Ended June 30, 2001

support the Series 1996 Q and 1997 R bonds of \$101.055 million. As of June 30, 2001, the Board had not drawn any funds under the standby bond purchase agreements or the letter of credit.

The University of Utah (Component Unit) Series 1997 A bonds in the amount of \$21.59 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the Series 1997 A bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent.

In the event the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price plus accrued interest on the bonds delivered to it. The letter of credit with the Bank of Nova Scotia is valid through June 30, 2002. As of June 30, 2001, the University had not drawn any funds under the letter of credit.

### E. Capital Appreciation Bonds

On August 15, 1998, the Utah State Building Ownership Authority issued \$23.091 million of 1998 Series B Capital Appreciation lease revenue bonds. The interest on the bonds is accreted and added to the bonds payable in the General Long-Term Obligation Account Group. The accretion for the year ended June 30, 2001, was \$1.187 million, and at June 30, 2001, bonds payable amounted to \$26.433 million. The interest on the bond is not paid until the bonds mature at which time the expenditure will be recorded.

### F. Defeased Bonds and Bond Refunding

On August 29, 2000, the Student Loan Purchase Program issued \$44 million 2000 Series S and \$49.5 million Series T student loan variable rate revenue bonds at par to refund its outstanding 1988 Series A bonds maturing November 1, 2000; 1988 Series B bonds maturing November 1, 2000; 1990 Series E bonds maturing November 1, 2000, November 1, 2004, and November 1, 2008; and 1991 Series F bonds maturing November 1, 2001, November 1, 2002, November 1, 2003, November 1, 2005, and November 1, 2008, all of which were paid or redeemed on November 1, 2000. The refunded bonds carried interest rates ranging from 7 percent to 7.6 percent and other variable rates. The 1988 Series A bonds, 1988 Series B bonds, and the 1990 Series E bond maturing on November 1, 2000 were paid at par, while the 1990 Series E bonds maturing on November 1, 2004, and November 1, 2008, were paid at par plus a premium totaling \$175 thousand, and the 1991 Series F bonds maturing November 1, 2001, November 1, 2002, November 1, 2003, November 1, 2005, and November 1, 2008, were paid at par plus a premium totaling \$662 thousand. Because the variable rate refunding issue has no stated minimum or maximum interest rates, no attempt has been made to disclose the cash flow differences, or economic gain or loss. Due to the risk that the variable interest rates

may rise, there is no guarantee that the Student Loan Purchase program will achieve an economic gain on this transaction. The Student Loan Purchase Program did not have any defeased bonds outstanding prior to the current year refunding.

On July 13, 2000, the University of Utah (Component Unit) issued \$17.585 million Research Facilities Revenue Bonds, Series 2000 A with interest rates from 5 to 5.75 percent. Proceeds from these bonds were used to refund \$10 million Research Facilities Revenue Bonds, Series 1999 with an interest rate of 5.38 percent, fund \$7 million for construction costs, and pay for various issuance costs and interest. Results of this refunding extended the debt service period from November 1, 2004, to April 1, 2020. The economic gain or loss on the refunding was immaterial.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other moneys available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the General Long-Term Obligation Account Group. At June 30, 2001, \$105.615 million revenue bonds outstanding are considered defeased.

In prior years, colleges and universities (Component Units) defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the colleges and universities balance sheet. At June 30, 2001, \$43.14 million of college and university bonds outstanding are considered defeased.

In prior years, Utah Housing Corporation (Component Unit) defeased certain revenue bonds by placing a portion of the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Utah Housing Corporation's balance sheet. At June 30, 2001, \$6.25 million of bonds outstanding are considered defeased.

### G. Notes Payable

The notes payable balance of \$28.96 million is comprised of \$1.741 million in notes issued by Technology Finance Corporation (Component Units – Proprietary Fund), \$319 thousand in notes issued by the Heber Valley Historic Railroad Authority (Component Units – Proprietary Fund), and \$26.9 million in notes issued by the College and University Funds (Component Units) for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**Notes Payable Debt Service Requirements to Maturity**  
**Component Units**  
**For Fiscal Years Ending June 30**  
*(Expressed in Thousands)*

Fiscal Year	Principal		Total Principal Required	Interest Required	Total Amount Required
	Colleges and Universities	Proprietary Funds			
2002.....	\$ 2,090	\$ 185	\$ 2,275	\$ 1,732	\$ 4,007
2003.....	1,943	88	2,031	1,615	3,646
2004.....	1,273	89	1,362	1,537	2,899
2005.....	1,091	92	1,183	1,462	2,645
2006.....	1,103	95	1,198	1,397	2,595
2007–2011.....	6,107	450	6,557	5,830	12,387
2012–2016.....	5,559	366	5,925	3,793	9,718
2017–2021.....	6,453	384	6,837	1,506	8,343
2022–2026.....	1,146	311	1,457	140	1,597
2027–2031.....	135	—	135	9	144
Total.....	<u>\$ 26,900</u>	<u>\$ 2,060</u>	<u>\$ 28,960</u>	<u>\$ 19,021</u>	<u>\$ 47,981</u>

**Changes in Notes Payable**  
**Component Units**  
*(Expressed in Thousands)*

	Colleges and Universities	Proprietary Funds
Balance at July 1, 2000 .....	\$ 33,957	\$ 2,489
Additions.....	13,089	—
Deletions .....	(20,146)	(429)
Balance at June 30, 2001.....	<u>\$ 26,900</u>	<u>\$ 2,060</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### H. Contracts Payable

Contracts Payable in the General Long-Term Obligation Account Group are for capital leases. Lease obligations are detailed in Note 7. Component Unit Contracts Payable include \$2.674 million in life annuity contracts.

### I. Leave/Postemployment Benefits Obligations

#### Changes in Leave/Postemployment Benefits Obligations (Expressed in Thousands)

	General Fund	Special Revenue Funds		Pension Trust Funds	General Long-Term Obligation Account Group	Total
		Uniform School	Transportation	State Retirement Systems		
Balance at July 1, 2000 .....	\$ 190,318	\$ 19,288	\$ 38,543	\$ 1,659	\$ 31,144	\$ 280,952
Increase (Decrease) in						
Accrued Leave Benefits .....	5,619	192	661	(105)	—	6,367
Increase in						
Postemployment Benefits.....	3,778	1,490	379	—	10,090	15,737
Balance at June 30, 2001 .....	<u>\$ 199,715</u>	<u>\$ 20,970</u>	<u>\$ 39,583</u>	<u>\$ 1,554</u>	<u>\$ 41,234</u>	<u>\$ 303,056</u>

The changes in the leave/postemployment benefits obligations for College and University Funds (Component Unit) are as follows: beginning balance at July 1, 2000, of \$50.623 million, increases of \$3.185 million in accrued leave benefits and \$995 thousand in postemployment benefits, and ending balance at June 30, 2001, of \$54.803 million.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 9. FUND BALANCES — RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) those portions of fund balance that are not available for appropriation or expenditure, which include loans receivable; or 2) fund balances that are legally segregated for a specific future use, which include reserves for encumbrances in the Capital Projects Fund, limited encumbrances in the General and Special Revenue Funds as explained in Note 1, continuing appropriation or nonlapsing funds, assets legally restricted for other purposes, and assets restricted by bond agreements. A summary of the nature and purpose of these reserves by fund type at June 30, 2001, follows (expressed in thousands):

#### A. General Fund — Reserved

##### Nonlapsing Appropriations for:

Natural Resources – Parks and Recreation .....	\$ 14,524
Governor's Office .....	9,762
Business, Labor, and Agriculture .....	8,583
Department of Health .....	8,199
Tax Commission .....	7,239
Community and Economic Development .....	6,421
Public Safety .....	5,240
Natural Resources – Wildlife .....	4,705
Natural Resources – Except Parks and Wildlife ..	4,113
Human Services .....	3,812
Legislature .....	3,254
Administrative Services .....	3,247
Department of Corrections .....	2,311
Environmental Quality .....	1,822
Judicial Council .....	1,688
Miscellaneous Other .....	2,606
<b>Total Nonlapsing .....</b>	<b>87,526</b>

##### Restricted by Law for:

Water Pollution Loans .....	187,626
Safe Drinking Water Loans .....	56,493
Housing Development Loans .....	46,210
Advances to Internal Service Funds .....	24,322
Industrial Assistance .....	18,195
Tobacco Settlement Funds .....	13,609
Wildlife Resources .....	10,355
Oil Overcharge Funds .....	9,882
Workforce Services Special Administration .....	8,308
Tax Commission – Administration .....	7,957
Natural Resources – Except Wildlife .....	5,774
Medicaid Restricted .....	5,770
Public Safety .....	5,169
Human Services .....	4,930
State Judicial Council .....	3,027
Environmental Quality .....	2,255
Nursing Facilities .....	1,555

Miscellaneous Other .....	9,999
<b>Total Restricted .....</b>	<b>421,436</b>
<b>Total General Fund Reserved .....</b>	<b>\$ 508,962</b>

#### General Fund — Unreserved/Designated

Budgetary Reserve Account (Rainy Day Reserve Account) .....	\$ 120,330
Designated for Fiscal Year 2002 Appropriations ....	67,161
<b>Total General Fund Designated .....</b>	<b>\$ 187,491</b>

#### B. Special Revenue Funds — Reserved

##### Uniform School Fund Nonlapsing Appropriations for:

Minimum School Program .....	\$ 19,556
State Office of Education .....	6,005
Deaf and Blind School .....	1,435
Miscellaneous Programs .....	827
<b>Total Nonlapsing .....</b>	<b>27,823</b>

##### Uniform School Fund Restricted by Law for:

School Building Loans Programs .....	10,328
Applied Technology Centers .....	4,059
School Land Interest .....	4,006
Miscellaneous Programs .....	607
<b>Total Restricted .....</b>	<b>19,000</b>

**Total Uniform School Fund Reserved .....** **\$ 46,823**

##### Transportation Fund Nonlapsing Appropriations for:

Sidewalk Construction .....	\$ 1,490
Miscellaneous Programs .....	1,218
<b>Total Nonlapsing .....</b>	<b>2,708</b>

##### Transportation Fund Restricted by Law for:

Corridor Preservation .....	15,696
Aeronautical Programs .....	6,105
Uninsured Motorist .....	2,408
Miscellaneous Programs .....	3,521
<b>Total Restricted .....</b>	<b>27,730</b>

**Total Transportation Fund Reserved .....** **\$ 30,438**

##### Centennial Highway Fund:

Restricted by Law for Construction .....	\$ 63,933
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**Total Special Revenue Funds Reserved .....** **\$ 141,194**

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Special Revenue Funds — Unreserved/Designated

Uniform School Fund Net Accrued Taxes .....	\$ 138,368
Uniform School Fund Designated	
for Fiscal Year 2002 Appropriations .....	32,730
Transportation Fund Net Accrued Taxes.....	8,443
Sports Authority Fund Designated	
for Fiscal Year 2002 Appropriations .....	949
Total Special Revenue Funds Designated .....	<u>\$ 180,490</u>

### C. Capital Projects Fund

Of the \$109.425 million reserved fund balance, \$107.181 million is for outstanding encumbrances on various capital projects, \$2.12 million is for lease revenue bond restrictions on proceeds that are currently not committed under contract, and \$124 thousand is reserved by statute for planning of construction projects.

### D. Debt Service Fund

The \$5.081 million reserved fund balance for the Debt Service Fund represents reserve funds and pledged funds required by bond agreements.

### E. Trust and Agency Funds

The \$18.906 billion reserved for the Trust and Agency Funds represents:

Pension Benefits:	
Employee Deferred Compensation.....	\$ 1,276,732
Reserved for Employees' Pension Benefits .....	13,306,520
Total Pension Benefits.....	<u>14,583,252</u>
Investment Trust:	
Fund Balance Reserved for External	
Investment Pool Participants.....	3,037,354
Fund Balance Reserved for Investment Fund	
Participants – Undistributed Reserves and	
Unrealized Gains/Losses .....	10,984
Total Investment Trust.....	<u>3,048,338</u>
Nonexpendable Trust:	
Trust Lands.....	<u>372,224</u>
Expendable Trust:	
Unemployment Compensation Benefits .....	599,964
Deferred Compensation 457 Plan .....	215,605
Utah Navajo Trust .....	15,525
Restricted Various .....	70,746
Total Expendable Trust .....	<u>901,840</u>
Total Trust and Agency Funds Reserved.....	<u>\$18,905,654</u>

### F. Internal Service Funds

The \$182.288 million in retained earnings includes \$47.228 million of claims contingency reserves for the Employees Group Insurance Fund and \$1.791 million of bond reserves for the Water Resources Loan Fund.

### G. Enterprise Funds

Reserved Retained Earnings:	
Student Assistance Programs for	
Financing and Bond Agreements .....	\$ 106,823
State Trust Lands Administration	
for Noxious Weeds.....	37
Total Enterprise Funds Reserved .....	<u>106,860</u>
Unreserved Retained Earnings:	
Student Assistance Programs .....	71,232
Utah Correctional Industries .....	17
State Trust Lands Administration .....	2,662
Agriculture Loan Fund.....	11,263
Utah Dairy Commission.....	934
Clean Fuels Vehicle Loan Fund .....	873
Petroleum Storage Tank Loan Fund.....	716
Revitalization Programs.....	6,120
Critical Land Conservation Fund.....	1,427
Total Enterprise Funds Unreserved.....	<u>95,244</u>
Total Enterprise Funds Retained Earnings.....	<u>\$ 202,104</u>

### H. Component Units — Proprietary Type Funds

Reserved Retained Earnings:	
Utah Housing Corporation	
for Bond Agreements.....	\$ 132,873
Technology Finance Corporation – Federal.....	6,761
Total Reserved .....	<u>139,634</u>
Unreserved Retained Earnings:	
Utah Housing Corporation .....	41,074
Technology Finance Corporation.....	3,831
Comprehensive Health Insurance .....	11,275
Heber Valley Historic Railroad Authority.....	1,582
Utah Science Center Authority .....	42
Utah State Fair Corporation.....	1,483
Total Unreserved.....	<u>59,287</u>
Total Component Units Proprietary	
Type Funds Retained Earnings .....	<u>\$ 198,921</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### I. Component Units — Colleges and Universities

#### Reserved for:

University of Utah .....	\$ 535,540
Utah State University .....	151,433
Weber State University .....	55,760
Southern Utah University .....	16,891
Salt Lake Community College .....	18,228
Utah Valley State College .....	28,754
Dixie State College of Utah .....	26,011
College of Eastern Utah .....	15,279
Snow College .....	19,548

Total Reserved ..... \$ 867,444

#### Unreserved Designated for:

University of Utah .....	\$ 221,999
Utah State University .....	40,896
Weber State University .....	6,284
Southern Utah University .....	8,166
Salt Lake Community College .....	28,697
Utah Valley State College .....	2,774
Dixie State College of Utah .....	3,040
Snow College .....	2,375

Total Unreserved Designated ..... \$ 314,231

#### Unreserved Undesignated for:

Weber State University .....	\$ 14,712
Salt Lake Community College .....	7,396
Utah Valley State College .....	13,951
Dixie State College of Utah .....	2,604
College of Eastern Utah .....	(1,928)
Snow College .....	2,545

Total Unreserved Undesignated ..... \$ 39,280

### NOTE 10. DEFICIT FUND BALANCES/RETAINED EARNINGS

Funds reporting a deficit fund balance or retained earnings position at June 30, 2001, are (expressed in thousands):

#### Internal Service Funds:

General Services .....	\$ 512
Natural Resources .....	\$ 2,676

The Internal Service Funds plan to increase their rates to cover these deficits.

#### Expendable Trust Funds:

Employers' Reinsurance Trust .....	\$ 289,869
Petroleum Underground Storage Tank .....	\$ 59,008

The deficit in the Employers' Reinsurance Fund represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Fund claims are funded from taxes on workers' compensation insurance. The Legislature has set tax rates and modified benefits to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Fund only. State law also limits the Fund's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities.

The Petroleum Underground Storage Tank Fund (Expendable Trust Fund which is part of the Restricted Trust Fund) covers the clean-up of leaks from state approved underground petroleum storage tanks. The assets in the fund are more than adequate to pay current claims. Unfunded future claims will be funded by future revenues

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 11. CHANGES IN CONTRIBUTED CAPITAL ACCOUNTS

For the Fiscal Year Ended June 30, 2001  
(Expressed in Thousands)

	Beginning Balance July 1, 2000	Additions Contributed Capital Transfers In	Deletions Contributed Capital Transfers Out	Ending Balance June 30, 2001
Enterprise Funds:				
Alcoholic Beverage Control .....	\$ 14,211	\$ 961	\$ 1,533	\$ 13,639
Utah Correctional Industries .....	3,103	—	—	3,103
State Trust Lands Administration .....	5,429	—	24	5,405
Agriculture Loan Fund .....	20,037	—	—	20,037
Clean Fuels Vehicle Loan Fund .....	1,650	—	—	1,650
Petroleum Storage Tank Loan Fund .....	5,000	—	—	5,000
Revitalization Programs .....	400	—	—	400
Critical Land Conservation Fund .....	180	—	—	180
Total Enterprise Funds .....	<u>\$ 50,010</u>	<u>\$ 961</u>	<u>\$ 1,557</u>	<u>\$ 49,414</u>
Internal Service Funds:				
Water Resources Loan Fund .....	\$ 166,326	\$ 1,653	\$ —	\$ 167,979
Information Technology .....	8,263	—	—	8,263
Community Impact Loan Fund .....	118,091	17,354	—	135,445
Transportation Infrastructure Loan Fund .....	168	—	—	168
General Services .....	2,730	—	—	2,730
Fleet Operations .....	22,983	4,467	—	27,450
Human Services .....	99	—	—	99
Office of Education .....	143	—	—	143
Natural Resources .....	2,919	—	—	2,919
Risk Management .....	766	—	—	766
Property Management .....	172	—	—	172
Total Internal Service Funds .....	<u>\$ 322,660</u>	<u>\$ 23,474</u>	<u>\$ 0</u>	<u>\$ 346,134</u>
Component Units – Proprietary Type Funds:				
Technology Finance Corporation .....	\$ 3,192	\$ —	\$ —	\$ 3,192
Utah State Fair Corporation .....	756	—	—	756
Total Component Units – Proprietary Type Funds .....	<u>\$ 3,948</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,948</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 12. OPERATING AND RESIDUAL EQUITY TRANSFERS

Operating transfers among funds occur when one fund collects revenue and transfers the assets to another fund for expenditure. The transfers occur only after being legally authorized by the Legislature through statute or an *Appropriation Act*. For the fiscal year ended June 30, 2001, the operating transfers by fund are as follows:

Operating Transfers (Expressed in Thousands)							
	Special Revenue Funds						
	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund	State Capitol Fund	Rural Development Fund	Tobacco Endowment Fund
<b>Transfers Out:</b>							
General Fund .....	\$ —	\$ 1,863	\$ 23,551	\$ 136,975	\$ 2,257	\$ 140	\$ 13,788
Special Revenue Funds:							
Uniform School Fund .....	195,809	—	—	—	—	—	—
Transportation Fund .....	27,890	—	—	74,110	—	—	—
Sports Authority Fund .....	3,923	—	—	—	—	—	—
Consumer Education Fund .....	5	—	—	—	—	—	—
Centennial Highway Fund .....	—	—	3,549	—	—	—	—
Capital Projects Fund .....	251	—	—	—	—	—	—
Enterprise Funds .....	30,588	—	—	—	—	—	—
Internal Service Funds .....	6,491	—	—	—	—	—	—
Expendable Trust Funds .....	3,836	9,617	—	—	—	—	—
<b>Total Transfers In .....</b>	<b>\$ 268,793</b>	<b>\$ 11,480</b>	<b>\$ 27,100</b>	<b>\$ 211,085</b>	<b>\$ 2,257</b>	<b>\$ 140</b>	<b>\$ 13,788</b>

Continues Below

	Capital Projects Fund	Debt Service Fund	Enterprise Funds	Internal Service Funds	Expendable Trust Funds	Nonexpendable Trust Fund	Total Transfers Out
<b>Transfers Out:</b>							
General Fund .....	\$ 50,779	\$ 74,242	\$ 2,750	\$ 926	\$ 5,450	\$ 16	\$ 312,737
Special Revenue Funds:							
Uniform School Fund .....	94,377	20,153	—	—	—	—	310,339
Transportation Fund .....	835	—	—	—	—	—	102,835
Sports Authority Fund .....	—	—	—	—	—	—	3,923
Consumer Education Fund .....	—	—	—	—	—	—	5
Centennial Highway Fund .....	—	44,183	—	—	—	—	47,732
Capital Projects Fund .....	—	2,982	—	50	—	—	3,283
Enterprise Funds .....	—	—	—	—	250	—	30,838
Internal Service Funds .....	—	—	—	—	—	—	6,491
Expendable Trust Funds .....	—	—	—	—	—	—	13,453
<b>Total Transfers In .....</b>	<b>\$ 145,991</b>	<b>\$ 141,560</b>	<b>\$ 2,750</b>	<b>\$ 976</b>	<b>\$ 5,700</b>	<b>\$ 16</b>	<b>\$ 831,636</b>

In addition, the General Fund transferred \$3.725 million to the component units' Proprietary Funds and \$533.554 million to Colleges and Universities. The component units' Proprietary Funds transferred \$526 thousand to the General Fund.



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

Residual equity transfers occur when nonroutine transfers are made from one fund to another. These transfers are usually made to provide for working capital. For the fiscal year ended June 30, 2001, the residual equity transfers by fund are as follows:

### Residual Equity Transfers (Expressed in Thousands)

	General Fund	Enterprise Funds	Internal Service Funds	Total Transfers
<b>Transfers Out:</b>				
General Fund.....	\$ —	\$ 961	\$ 23,450	\$ 24,411
Enterprise Funds .....	1,533	—	24	1,557
<b>Total Transfers In .....</b>	<b>\$ 1,533</b>	<b>\$ 961</b>	<b>\$ 23,474</b>	<b>\$ 25,968</b>

### NOTE 13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

A. The State of Utah has ten enterprise funds, six proprietary type component units, and college and university component units which are described below.

#### Enterprise Funds:

- **Alcoholic Beverage Control** — The Alcoholic Beverage Control Commission administers the *Alcoholic Beverage Control Act* with financing from operations which include the sale of liquor products.
- **Student Assistance Programs** — This is made up of two separate student assistance programs administered by the Utah State Board of Regents – Utah Higher Education Assistance Authority. The two programs are the Student Loan Guarantee Program, which guarantees repayment of eligible student loans, and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances.
- **Utah Correctional Industries** — Correctional Industries provides employment for prisoners at the Utah State Prison. It is funded by charges for services and the sale of goods produced.

- **State Trust Lands Administration** — The Administration manages the assets of the State School and Institutional Trust Lands, Nonexpendable Trust Fund.
- **Agriculture Loan Fund** — The Fund issues farm loans for soil and water conservation projects and for the rehabilitation of rural areas within the State.
- **Utah Dairy Commission** — The Dairy Commission promotes dairy products through advertising, research, and nutritional education. It is funded by collections from milk producers.
- **Clean Fuels Vehicle Loan Fund** — The Fund provides loans to government and private fleets for the conversion of their vehicles to clean fuel.
- **Petroleum Storage Tank Loan Fund** — The Fund provides loans to private businesses to repair, replace, upgrade, or close petroleum storage tanks to prevent leakage.
- **Revitalization Programs** — This is made up of two Revitalization Programs: the Uintah Basin Revitalization Fund and the San Juan Navajo Revitalization Fund. The Fund makes grants and loans to county agencies, the Ute Indian Tribe, and the Navajo Nation to benefit the citizens of the Uintah Basin and San Juan County for the social and economic impacts of mineral resource development. Funding is from appropriations, oil and gas severance taxes, and interest earnings.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

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Fiscal Year Ended June 30, 2001

- Critical Land Conservation Fund — The LeRay McAllister Critical Land Conservation Fund issues loans and grants to assist local entities in their effort to preserve open land in the State.

### Proprietary Type Component Units:

- Utah Housing Corporation — The Corporation issues bonds to provide capital for housing for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees.
- Utah Technology Finance Corporation — The Corporation is a corporate body created to encourage and assist small and emerging businesses involved in innovation and high technology in the State. The Corporation is operated from grants, earnings, and state appropriations.
- Comprehensive Health Insurance Pool — The Pool provides access to health insurance coverage for residents of the State who are considered uninsurable.
- Heber Valley Historic Railroad Authority — The Authority operates and maintains a scenic and historic railway in Wasatch County.

- Utah Science Center Authority — The Authority provides a means to foster the development of science, arts, tourism, and cultural and educational facilities within the State.
- Utah State Fair Corporation — The nonprofit Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events.

### Colleges and Universities Component Units:

- College and University Funds account for the operations of institutions of higher education.
- B. Various bond resolutions place restrictions on the use of certain assets. As of June 30, 2001, restrictions have been placed on \$52.182 million of Utah Housing Corporation assets and \$1,157.755 million of Student Loan Purchase Program assets.
- C. Segment information for the fiscal year ended June 30, 2001, is as follows:

*(Table presented on next page)*

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

**Enterprise Funds  
Segment Information**  
*(Expressed in Thousands)*

	<b>Alcoholic Beverage Control</b>	<b>Student Assistance Programs</b>	<b>Utah Correctional Industries</b>	<b>State Trust Lands Administration</b>	<b>Agriculture Loan Fund</b>	<b>Utah Dairy Commission</b>
Operating Revenue.....	\$ 123,784	\$ 104,463	\$ 12,733	\$ 7,716	\$ 1,207	\$ 2,358
Operating Expenses:						
Depreciation.....	1,516	70	77	186	3	11
Other .....	91,427	90,719	13,152	5,336	240	2,262
Operating Income (Loss).....	30,841	13,674	(496)	2,194	964	85
Operating Transfers In (Out) .....	(30,253)	(250)	—	—	(235)	—
Tax Revenues .....	—	—	—	—	500	—
Non-Operating Income (Loss) .....	(588)	2,513	(13)	118	—	6
Net Income (Loss).....	<u>\$ 0</u>	<u>\$ 15,937</u>	<u>\$ (509)</u>	<u>\$ 2,312</u>	<u>\$ 1,229</u>	<u>\$ 91</u>
Current Assets .....	\$ 16,671	\$ 440,639	\$ 3,177	\$ 8,822	\$ 9,765	\$ 653
Current Liabilities .....	16,505	21,805	1,174	7,157	33	145
Net Working Capital .....	<u>\$ 166</u>	<u>\$ 418,834</u>	<u>\$ 2,003</u>	<u>\$ 1,665</u>	<u>\$ 9,732</u>	<u>\$ 508</u>
Total Assets .....	\$ 40,323	\$ 1,275,693	\$ 5,529	\$ 15,261	\$ 31,333	\$ 1,079
Total Liabilities .....	26,684	1,097,638	2,409	7,157	33	145
Fund Equity.....	<u>\$ 13,639</u>	<u>\$ 178,055</u>	<u>\$ 3,120</u>	<u>\$ 8,104</u>	<u>\$ 31,300</u>	<u>\$ 934</u>
Long-Term Liabilities .....	<u>\$ 10,179</u>	<u>\$ 1,075,833</u>	<u>\$ 1,235</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Current Capital Contributions In...	<u>\$ 961</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Current Capital Contributions Out ..	<u>\$ (1,533)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (24)</u>	<u>\$ —</u>	<u>\$ —</u>
Fixed Assets – July 1, 2000.....	\$ 30,752	\$ 1,301	\$ 4,226	\$ 5,732	\$ 20	\$ 216
Additions.....	486	37	536	1,729	—	17
Deletions .....	(95)	(120)	(305)	(335)	—	—
Fixed Assets – June 30, 2001 .....	<u>\$ 31,143</u>	<u>\$ 1,218</u>	<u>\$ 4,457</u>	<u>\$ 7,126</u>	<u>\$ 20</u>	<u>\$ 233</u>

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Clean Fuels Vehicle Loan Fund	Petroleum Storage Tank Loan Fund	Revitalization Programs	Critical Land Conservation Fund	Total
\$ 139	\$ 287	\$ 181	\$ —	\$ 252,868
—	—	—	—	1,863
147	—	408	3,941	207,632
(8)	287	(227)	(3,941)	43,373
—	(100)	—	2,750	(28,088)
—	—	3,330	—	3,830
—	—	—	260	2,296
<u>\$ (8)</u>	<u>\$ 187</u>	<u>\$ 3,103</u>	<u>\$ (931)</u>	<u>\$ 21,411</u>
\$ 2,540	\$ 4,740	\$ 6,558	\$ 1,611	\$ 495,176
146	—	38	4	47,007
<u>\$ 2,394</u>	<u>\$ 4,740</u>	<u>\$ 6,520</u>	<u>\$ 1,607</u>	<u>\$ 448,169</u>
\$ 2,669	\$ 5,716	\$ 6,558	\$ 1,611	\$ 1,385,772
146	—	38	4	1,134,254
<u>\$ 2,523</u>	<u>\$ 5,716</u>	<u>\$ 6,520</u>	<u>\$ 1,607</u>	<u>\$ 251,518</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,087,247</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 961</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,557)</u>
\$ —	\$ —	\$ —	\$ —	\$ 42,247
—	—	—	—	2,805
—	—	—	—	(855)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 44,197</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Component Units – Proprietary Type Funds Segment Information (Expressed in Thousands)

	Utah Housing Corporation	Technology Finance Corporation	Comprehensive Health Insurance	Heber Valley Historic Railroad Authority	Utah Science Center Authority	Utah State Fair Corporation	Total
Operating Revenue .....	\$ 87,891	\$ 1,340	\$ 6,715	\$ 971	\$ 25	\$ 3,706	\$ 100,648
Operating Expenses:							
Depreciation.....	240	56	—	75	9	71	451
Other.....	73,774	1,283	9,473	1,172	24	4,158	89,884
Operating Income (Loss)	13,877	1	(2,758)	(276)	(8)	(523)	10,313
Operating Transfers from Primary Government..	—	—	3,135	—	—	590	3,725
Operating Transfers to Primary Government..	—	(526)	(1,000)	—	—	—	(1,526)
Federal Grants .....	—	11	—	—	—	—	11
Other Non-Operating Income (Loss) .....	—	307	1,087	762	1	120	2,277
Net Income (Loss) .....	<u>\$ 13,877</u>	<u>\$ (207)</u>	<u>\$ 464</u>	<u>\$ 486</u>	<u>\$ (7)</u>	<u>\$ 187</u>	<u>\$ 14,800</u>
Current Assets .....	\$ 299,339	\$ 7,772	\$ 13,163	\$ 149	\$ 24	\$ 1,980	\$ 322,427
Current Liabilities.....	130,966	243	1,888	257	—	209	133,563
Net Working Capital.....	<u>\$ 168,373</u>	<u>\$ 7,529</u>	<u>\$ 11,275</u>	<u>\$ (108)</u>	<u>\$ 24</u>	<u>\$ 1,771</u>	<u>\$ 188,864</u>
Total Assets .....	\$ 1,353,706	\$ 15,702	\$ 13,163	\$ 2,039	\$ 42	\$ 2,448	\$ 1,387,100
Total Liabilities.....	1,179,759	1,918	1,888	457	—	209	1,184,231
Fund Equity .....	<u>\$ 173,947</u>	<u>\$ 13,784</u>	<u>\$ 11,275</u>	<u>\$ 1,582</u>	<u>\$ 42</u>	<u>\$ 2,239</u>	<u>\$ 202,869</u>
Long-Term Liabilities .....	<u>\$ 1,048,793</u>	<u>\$ 1,675</u>	<u>\$ —</u>	<u>\$ 200</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,050,668</u>
Current Capital Contributions .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0</u>
Fixed Assets							
July 1, 2000.....	\$ 2,423	\$ 1,099	\$ —	\$ 1,877	\$ 87	\$ 1,358	\$ 6,844
Additions .....	867	1	—	488	—	249	1,605
Deletions .....	(748)	(60)	—	—	—	(28)	(836)
Fixed Assets June 30, 2001 .....	<u>\$ 2,542</u>	<u>\$ 1,040</u>	<u>\$ —</u>	<u>\$ 2,365</u>	<u>\$ 87</u>	<u>\$ 1,579</u>	<u>\$ 7,613</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Component Units – Colleges and Universities Segment Information (Expressed in Thousands)

	University of Utah	Utah State University	Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley State College	Dixie State College	College of Eastern Utah	Snow College	Total
Revenues and										
Other Additions .....	\$1,492,627	\$ 376,885	\$ 106,025	\$ 76,707	\$ 94,254	\$ 112,753	\$ 27,639	\$ 16,831	\$ 32,685	\$2,336,406
Expenditures and										
Other Deductions .....	(1,610,880)	(432,889)	(138,618)	(95,471)	(148,955)	(136,755)	(37,126)	(30,022)	(32,674)	(2,663,390)
Operating Transfers from										
Primary Government .....	201,923	123,313	53,768	24,588	50,326	36,551	15,557	11,644	15,884	533,554
Net Increase (Decrease) in										
Fund Balances .....	83,670	67,309	21,175	5,824	(4,375)	12,549	6,070	(1,547)	15,895	206,570
Fund Balances –										
July 1, 2000 .....	2,004,162	382,406	267,193	155,802	214,659	174,458	88,151	63,901	84,926	3,435,658
Fund Balances –										
June 30, 2001 .....	<u>\$2,087,832</u>	<u>\$ 449,715</u>	<u>\$ 288,368</u>	<u>\$ 161,626</u>	<u>\$ 210,284</u>	<u>\$ 187,007</u>	<u>\$ 94,221</u>	<u>\$ 62,354</u>	<u>\$ 100,821</u>	<u>\$3,642,228</u>
Total Assets .....	<u>\$2,608,656</u>	<u>\$ 555,617</u>	<u>\$ 313,813</u>	<u>\$ 179,877</u>	<u>\$ 237,494</u>	<u>\$ 228,833</u>	<u>\$ 106,018</u>	<u>\$ 71,529</u>	<u>\$ 104,003</u>	<u>\$4,405,840</u>
Total Liabilities .....	<u>\$ 520,824</u>	<u>\$ 105,902</u>	<u>\$ 25,445</u>	<u>\$ 18,251</u>	<u>\$ 27,210</u>	<u>\$ 41,826</u>	<u>\$ 11,797</u>	<u>\$ 9,175</u>	<u>\$ 3,182</u>	<u>\$ 763,612</u>
Total Fixed Assets .....	<u>\$1,684,036</u>	<u>\$ 472,634</u>	<u>\$ 219,528</u>	<u>\$ 145,471</u>	<u>\$ 156,092</u>	<u>\$ 152,650</u>	<u>\$ 70,946</u>	<u>\$ 54,849</u>	<u>\$ 76,876</u>	<u>\$3,033,082</u>
<b>Current Funds:</b>										
Revenues .....	\$1,073,055	\$ 241,317	\$ 71,306	\$ 42,061	\$ 58,731	\$ 74,388	\$ 18,206	\$ 14,644	\$ 13,821	\$1,607,529
Expenditures .....	(1,270,590)	(357,480)	(120,790)	(64,961)	(104,270)	(106,621)	(32,857)	(26,714)	(29,134)	(2,113,417)
Excess Restricted Receipts Over										
Transfers to Revenues .....	23,718	14,124	1,438	(364)	(131)	544	(263)	(48)	212	39,230
Mandatory Transfers Out .....	(25,607)	(3,596)	—	(1,344)	(195)	—	(23)	(317)	—	(31,082)
Nonmandatory Transfers Out..	3,728	(6,362)	(1,732)	387	(3,426)	(4)	(393)	112	6	(7,684)
Operating Transfers from										
Primary Government .....	201,923	123,313	53,768	24,588	50,326	36,551	15,557	11,644	15,884	533,554
Net Increase (Decrease) in										
Fund Balances .....	<u>\$ 6,227</u>	<u>\$ 11,316</u>	<u>\$ 3,990</u>	<u>\$ 367</u>	<u>\$ 1,035</u>	<u>\$ 4,858</u>	<u>\$ 227</u>	<u>\$ (679)</u>	<u>\$ 789</u>	<u>\$ 28,130</u>

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

#### A. Litigation

- The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.
- Members of the Navajo Nation allege the State of Utah has mismanaged Navajo Trust Fund moneys. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts, disbursements, and damages. There is no way to estimate the outcome of this case, since this is a case of first impression and there is no similar case law available to help predict the outcome. However, if the State were ultimately held liable, the liability could be up to approximately \$52 million plus interest and attorneys' fees.
- A suit filed by the United Mine Workers of America claims the State Legislature wrongfully reallocated revenue generated from the *Utah Enabling Act's* Miners Hospital Grant lands to the University of Utah Medical Center. The plaintiffs seek a declaration that a separate hospital for disabled miners is required and that the proceeds received from the lands must be separately maintained. It also seeks a full accounting of all assets, together with an order requiring the State to establish a hospital to be maintained for disabled miners. It is not possible at this time to estimate the outcome or the financial impact an adverse ruling would have upon the State. However, if the State were ultimately held liable, the liability could range from \$1 million to \$25 million.
- A suit was filed by a landowner alleging breach of contract by the Utah State Armory Board and the Utah National Guard related to the sale of property. The suit is in the discovery stage and it is not possible at this time to predict the outcome. The plaintiff seeks damages of approximately \$16 million plus attorney's fees.

#### B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2001, is in process and management expects proposed disallowances to be immaterial.

- Management's estimated liability for the Underground Petroleum Storage Tank Fund (Expendable Trust Fund which is part of the Restricted Trust Fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.
- The State is totally self-insured against liability claims and up to \$2.5 million in property claims. According to an actuarial study and other known factors, \$42.665 million exists as either incurred but unfiled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (Internal Service Fund).
- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953*, as amended, Sections 53A-28-101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guaranteed Bonds.

In the event a school board is unable to make the scheduled debt service payments on its Guaranteed Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available moneys, may use short-term borrowing from the State Permanent School Fund (Trust Lands Nonexpendable Trust Fund), or may issue short-term general obligation notes. The local school board remains liable to the State for any such payments on Guaranteed Bonds. Reimbursements to the State may be obtained by intercepting payment of state funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due. The State does not expect that it will be required to advance moneys for the payment of debt service on Guaranteed Bonds for any significant period of time.

Local school boards have \$938.759 million principal amount of Guaranteed Bonds outstanding at June 30, 2001. The State estimates that an additional \$154 million principal amount of Guaranteed Bonds may be issued during the remainder of calendar year 2001. The State cannot predict the amount of bonds that may be guaranteed in future years, but no limitation is currently imposed by the Guaranty Act.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 46 other states. The major tobacco manufacturers and most smaller manufacturers have joined the agreement. The State received \$27.9 million from tobacco companies in fiscal year 2001 and expects to receive approximately \$32.5 million in fiscal year 2002. Annual payments are expected to continue for the next ten years but will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and legal fees.

### C. Commitments

- At June 30, 2001, the General Fund had loan and grant commitments of approximately \$79.635 million (\$75.722 million in loans, \$3.913 million in grants).
- Utah Retirement Systems (Pension Trust Funds) has at December 31, 2000, committed to fund certain venture capital partnerships and real estate projects for an amount of \$1.273 billion. Funding of \$767 million has been provided, leaving an unfunded commitment of \$506 million as of December 31, 2000.
- As of June 30, 2001, the Utah Housing Corporation (Component Unit, Proprietary Fund Type) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of \$27.221 million.
- At June 30, 2001, the Internal Service Funds had loan and grant commitments of approximately \$65.553 million (\$59.199 million in loans, \$6.354 million in grants).
- At June 30, 2001, the Enterprise Funds had loan and grant commitments of approximately \$55.7 thousand (\$40 thousand in loans, \$15.7 thousand in grants).
- At June 30, 2001, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Program, Enterprise Fund) had guaranteed student loans outstanding with an original principal amount of approximately \$1.435 billion.
- At June 30, 2001, the Department of Transportation had construction and other contract commitments of \$552.678 million, of which \$377.41 million is for Centennial Highway Fund (Special Revenue Fund) projects and \$175.268 million is for Transportation Fund (Special Revenue Fund) projects. These commitments will be funded with bonded debt and future appropriations.

### NOTE 15. JOINT VENTURES

The Utah Communications Agency Network (UCAN) was created by the State Legislature in 1997 as an independent agency. Its purpose is to provide a single, coordinated public safety communication system in an eight-county area in Northern Utah. The fiscal year ending June 30, 2001, was UCAN's third year of operations.

UCAN's governing board is made of ten representatives from local governments and five representatives from state agencies. The chairman of the board of UCAN is the Chief of the South Jordan City Fire Department. The State has contracted to purchase communication services from UCAN to meet the needs of law enforcement officers in the Departments of Public Safety, Corrections, Natural Resources, and other smaller state agencies.

In fiscal year 1998 the State provided startup capital of \$185 thousand. UCAN receives federal funds as a subrecipient of grants awarded to the Department of Public Safety. UCAN also may receive legal counsel from the Attorney General's Office at no cost. Contracts with state agencies are estimated to provide over 30 percent of UCAN's operating revenues.

UCAN has \$17.060 million of certificates of participation debt outstanding, which was issued to purchase and install microwave towers and equipment. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient resources to cover its debt service and debt service reserve requirements.

The State Auditor's Office audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the State Auditor's Office.

### NOTE 16. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

#### A. Utah Retirement Systems

Utah Retirement Systems (URS) was established by Section 49 of *Utah Code Annotated, 1953*, as amended. URS administers the pension systems and plans under the direction of the URS Board,



NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

which consists of the State Treasurer and six members appointed by the Governor. URS has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. URS maintains records and prepares separately issued financial statements using fund accounting principles and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. URS reports on a calendar yearend. The December 31, 2000, financial report has been included in this Comprehensive Annual Financial Report as a Pension Trust Fund for the Public Employees Retirement System (PERS). The Deferred Compensation 457 Plan is reported as an expendable trust fund. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The URS operations are comprised of the following groups of systems and plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Fire-fighters Retirement System, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 Plans, which are deferred compensation plans.

Retirement benefits are specified by Section 49 of *Utah Code Annotated, 1953*, as amended. The retirement systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the systems is provided in the following table:

(Table presented on next page)

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Summary of Eligibility and Benefits

	<b>Contributory System</b>	<b>Noncontributory System</b>	<b>Public Safety System</b>	<b>Firefighters System</b>	<b>Judges System</b>
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service	30 years any age	30 years any age	20 years any age		25 years any age
Required and/or Age	20 years age 60	*25 years any age	10 years age 60		*20 years age 55
Eligible for Benefit	10 years age 62	20 years age 60	4 years age 65		10 years age 62
	4 years age 65	10 years age 62			6 years age 70
		4 years age 65			
Benefit Percent per Year of Service	1.10% to June 1967 1.25% July 1967 to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years Benefit cannot exceed 70% of final average salary		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years Benefit cannot exceed 75% of final average salary

\*With full actuarial reductions

Former governors at age 65 receive \$1,040 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of \$23.20 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the systems may leave their retirement account intact for future

benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some systems are also augmented by fees, insurance premium taxes, or legislative appropriations. Below is a summary of system participants.

### Participants December 31, 2000

	<b>Contributory System</b>	<b>Non- contributory System</b>	<b>Public Safety System</b>	<b>Fire- fighters System</b>	<b>Judges System</b>	<b>Governors and Legislative Pension Plan</b>
Number of participating:						
Employers.....	163	367	116	39	1	1
Members:						
Active .....	3,972	81,894	6,839	1,452	104	88
Terminated vested.....	1,487	17,112	832	48	6	81
Retirees and beneficiaries:						
Service benefits.....	8,107	17,755	2,319	761	75	219
Disability benefits.....	185	—	52	64	—	—

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

Employer contribution rates consist of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current service year) and (2) an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value.

The following table presents the State of Utah's actuarially determined employer contributions required and paid to URS. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Pension Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

**State of Utah's Employer Contributions  
Required and Paid  
For Fiscal Years Ended June 30  
(Expressed in Thousands)**

	<b>Contributory System</b>	<b>Non- contributory System</b>	<b>Public Safety System</b>	<b>Fire- fighters System</b>	<b>Judges System</b>	<b>Total All Systems</b>
<b>Primary Government:</b>						
2001 .....	\$ 4,902	\$ 78,752	\$ 19,772	\$ 56	\$ 1,615	\$ 105,097
2000 .....	\$ 4,943	\$ 75,769	\$ 19,717	\$ 70	\$ 1,572	\$ 102,071
1999 .....	\$ 5,005	\$ 72,361	\$ 17,075	\$ 67	\$ 1,868	\$ 96,376
1998 .....	\$ 5,082	\$ 67,040	\$ 16,106	\$ 58	\$ 1,899	\$ 90,185
1997 .....	\$ 5,202	\$ 61,782	\$ 13,865	\$ 44	\$ 1,721	\$ 82,614
<b>Component Units:</b>						
<b>Colleges and Universities:</b>						
2001 .....	\$ 2,398	\$ 33,575	\$ 442	\$ —	\$ —	\$ 36,415
2000 .....	\$ 2,469	\$ 32,839	\$ 445	\$ —	\$ —	\$ 35,753
1999 .....	\$ 2,457	\$ 30,789	\$ 356	\$ —	\$ —	\$ 33,602
1998 .....	\$ 2,478	\$ 29,214	\$ 344	\$ —	\$ —	\$ 32,036
1997 .....	\$ 2,548	\$ 29,694	\$ 318	\$ —	\$ —	\$ 32,560
<b>Proprietary Type Funds:</b>						
2001 .....	\$ 50	\$ 352	\$ —	\$ —	\$ —	\$ 402
2000 .....	\$ 143	\$ 2,416	\$ —	\$ —	\$ —	\$ 2,559
1999 .....	\$ 134	\$ 2,158	\$ —	\$ —	\$ —	\$ 2,292
1998 .....	\$ 130	\$ 1,989	\$ —	\$ —	\$ —	\$ 2,119
1997 .....	\$ 122	\$ 1,756	\$ —	\$ —	\$ —	\$ 1,878
<b>Total Primary Government and Component Units:</b>						
2001 .....	\$ 7,350	\$ 112,679	\$ 20,214	\$ 56	\$ 1,615	\$ 141,914
2000 .....	\$ 7,555	\$ 111,024	\$ 20,162	\$ 70	\$ 1,572	\$ 140,383
1999 .....	\$ 7,596	\$ 105,308	\$ 17,431	\$ 67	\$ 1,868	\$ 132,270
1998 .....	\$ 7,690	\$ 98,243	\$ 16,450	\$ 58	\$ 1,899	\$ 124,340
1997 .....	\$ 7,872	\$ 93,232	\$ 14,183	\$ 44	\$ 1,721	\$ 117,052

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

The following schedule summarizes contribution rates in effect as of December 31, 2000:

### Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory .....	6.00%	6.31% – 9.19%	—
Noncontributory.....	—	10.32% – 13.68%	—
Public Safety:			
Contributory.....	10.50% – 13.74%	5.88% – 22.56%	—
Noncontributory.....	—	17.40% – 34.73%	—
Firefighters:			
Group A .....	10.20%	—	8.71%
Group B .....	15.50%	—	8.71%
Judges .....	8.00%	7.10% – 15.10%	20.29%
Governors and Legislative .....	—	—	—

### 401(k) and 457 Deferred Compensation Plans

The 401(k) Plan and 457 Plan administered by URS, in which the State participates, are deferred compensation plans. These plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary contributions may be made into the plans subject to plan and Internal Revenue Code limitations. Employer contributions may be made into the plans at rates determined by the employers. There are 321 employers participating in the 401(k) Plan and 153 employers participating in the 457 Plan. There are 125,006 employees and retirees of those employers who are members of the 401(k) Plan and 9,423 who are members of the 457 Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) Plan and 457 Plan account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended

June 30, 2001, by employees and employers are as follows: for Primary Government, \$30.831 million and \$9.933 million; for Component Units – Colleges and Universities, \$2.286 million and \$3.607 million; for Component Units – Proprietary, \$131 thousand and \$41 thousand; and the combined total for all is \$33.248 million and \$13.581 million, respectively.

### Pension Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable fair value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 10 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The systems and plans have no investments of any commercial or industrial organization whose fair value equals five percent or more of the net assets available for benefits. The principal components of the receivables and investment categories are presented below.

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Pension Receivables and Investments (Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System	Judges System	Governors and Legislative Pension Plan	401 (k) Plan	Total December 31, 2000
Receivables:								
Member Contributions .....	\$ 440	\$ —	\$ 201	\$ 396	\$ —	\$ —	\$ —	\$ 1,037
Employer Contributions.....	591	20,598	1,999	—	891	—	—	24,079
Court Fees and Fire Insurance Premium.....	—	—	—	—	60	—	—	60
Investments .....	33,537	369,045	45,900	19,171	3,078	416	20,777	491,924
Total Receivables .....	<u>\$ 34,568</u>	<u>\$ 389,643</u>	<u>\$ 48,100</u>	<u>\$ 19,567</u>	<u>\$ 4,029</u>	<u>\$ 416</u>	<u>\$ 20,777</u>	<u>\$ 517,100</u>
Investments:								
Bonds .....	\$ 240,889	\$ 2,650,796	\$ 329,681	\$ 137,704	\$ 22,112	\$ 2,987	\$ 367,939	\$ 3,752,108
Equity Investments .....	520,204	5,724,456	711,951	297,373	47,751	6,451	852,248	8,160,434
Venture Capital .....	74,732	822,370	102,277	42,721	6,860	927	—	1,049,887
Real Estate .....	80,683	887,854	110,423	46,122	7,406	1,000	—	1,133,488
Mortgage Loans.....	247	2,720	339	141	23	3	—	3,473
Invested Securities								
Lending Collateral .....	101,811	1,120,346	139,338	58,200	9,345	1,262	29,528	1,459,830
Investment Contracts .....	—	—	—	—	—	—	38,217	38,217
Total Investments .....	<u>\$ 1,018,566</u>	<u>\$ 11,208,542</u>	<u>\$ 1,394,009</u>	<u>\$ 582,261</u>	<u>\$ 93,497</u>	<u>\$ 12,630</u>	<u>\$ 1,287,932</u>	<u>\$ 15,597,437</u>

### Actuarial Methods and Assumptions

The latest actuarial valuation and study was dated January 1, 2000. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by that study conducted by Watson Wyatt & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate of 8 percent. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess

or shortfall being recognized each year, beginning with the current year. All systems use the entry age actuarial cost method and the level percent of payroll amortization method. The remaining amortization period for all systems is open group, 20 years, closed period. An inflation rate of 3 percent is used for all systems. Post retirement cost of living adjustments are non-compounding and are based on the original benefit. The adjustments are also limited to the actual CPI increase for the year with any unusual CPI increase not met carried forward to subsequent years. Below is the Schedule of Funding Progress.

(Table presented on next page)

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Schedules of Funding Progress By Valuation Date (Expressed in Thousands)

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Pension Plan
<b>Actuarial Value of Assets:</b>						
January 1, 1999.....	\$ 840,215	\$ 7,931,193	\$ 988,800	\$ 423,405	\$ 67,998	\$ 9,988
January 1, 2000.....	\$ 878,190	\$ 9,237,447	\$ 1,146,331	\$ 483,374	\$ 78,130	\$ 10,946
December 31, 2000.....	\$ 934,073	\$ 10,351,833	\$ 1,286,996	\$ 536,503	\$ 87,139	\$ 11,569
<b>Actuarial Accrued Liability (AAL):</b>						
January 1, 1999.....	\$ 891,983	\$ 8,335,731	\$ 1,034,147	\$ 407,703	\$ 67,211	\$ 7,278
January 1, 2000.....	\$ 894,484	\$ 9,006,308	\$ 1,105,166	\$ 419,157	\$ 68,134	\$ 8,253
December 31, 2000.....	\$ 914,900	\$ 9,744,280	\$ 1,200,582	\$ 451,635	\$ 73,771	\$ 8,244
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>						
January 1, 1999.....	\$ 51,768	\$ 404,538	\$ 45,347	\$ (15,702)	\$ (787)	\$ (2,710)
January 1, 2000.....	\$ 16,294	\$ (231,139)	\$ (41,165)	\$ (64,217)	\$ (9,996)	\$ (2,693)
December 31, 2000.....	\$ (19,173)	\$ (607,553)	\$ (86,414)	\$ (84,868)	\$ (13,368)	\$ (3,325)
<b>Funding Ratios:</b>						
January 1, 1999.....	94.2%	95.1%	95.6%	103.9%	101.2%	137.2%
January 1, 2000.....	98.2%	102.6%	103.7%	115.3%	114.7%	132.6%
December 31, 2000.....	102.1%	106.2%	107.2%	118.8%	118.1%	140.3%
<b>Annual Covered Payroll:</b>						
January 1, 1999 .....	\$ 137,042	\$ 2,365,650	\$ 212,414	\$ 54,326	\$ 9,388	\$ 468
January 1, 2000 .....	\$ 137,561	\$ 2,499,087	\$ 226,057	\$ 57,561	\$ 10,104	\$ 468
December 31, 2000.....	\$ 141,067	\$ 2,659,200	\$ 247,985	\$ 63,274	\$ 10,397	\$ 464
<b>UAAL as a Percent of Covered Payroll:</b>						
January 1, 1999.....	37.8%	17.1%	21.3%	(28.9)%	(8.4)%	(579.1)%
January 1, 2000.....	11.8%	(9.2)%	(18.2)%	(111.6)%	(98.9)%	(575.4)%
December 31, 2000.....	(13.6)%	(22.8)%	(34.8)%	(134.1)%	(128.6)%	(716.6)%

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

B. Teachers Insurance and Annuity Association

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university and applied technology center faculty. Benefits to retired employees are generally based on the value of the individual contracts and the

estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA-CREF retirement system:

State of Utah's Employer Contributions  
For the Years Ended June 30, 2000 and 2001  
(Expressed in Thousands)

	Contribution Required and Paid 2000	Contribution Required and Paid 2001
Primary Government.....	\$ 633	\$ 611
Component Units:		
College and University .....	78,486	83,880
Total .....	\$ 79,119	\$ 84,491

C. Travelers Insurance Retirement Plan

There are 137 employees of the Department of Workforce Services (General Fund) participating in the Travelers Insurance Plan, which is a deposit fund administered retirement plan. The employer payments are fully funded through federal revenues from the U.S. Department of Labor.

The contribution is 7 percent of the employee's annual salary, of which 3.05 percent is paid by the employee, and 3.95 percent is paid by the employer for the employee. The employer is also contributing to prior service costs. Retirement benefits are computed using salary, age, and years of service.

According to the latest periodic actuarial valuation on January 1, 2001, the present value of future retirement benefits is \$169.454 million, and the unfunded liability is \$11.373 million. Net assets available for benefits are \$158.579 million. The unfunded liability represents cost-of-living increases on benefits. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.5 percent for 2001 and 2000.

The State of Utah's actual current year employer contributions, including prior year service costs, to the Travelers Retirement Plan from the General Fund in fiscal years ended June 30, 2001 and 2000, were \$1.674 million and \$2.355 million, respectively.

NOTE 17. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered a retirement incentive program, as set forth in Section 67-19-14(2) of the *Utah Code Annotated, 1953*, as amended. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage, or after age 65 spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of June 30, 2001, there were 1,387 individuals on the program. The insurance coverage is paid 100 percent by the State.

The State has estimated a liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. Of the liability for postemployment benefits and compensated absences, \$260.268 million is funded from designated accrued taxes, and \$41.234 million is unfunded and reported in the General Long-Term Obligation Account Group. The liability in the Pension Trust Funds of \$1.554 million is funded by Utah Retirement Systems. The ongoing payments for postemployment benefits and compensated absences are charged to state agencies as

# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

benefits are earned. For the year ended June 30, 2001, the governmental fund postemployment benefits portion of the cumulative liability was \$205.091 million, and \$14.074 million in postemployment benefits expenditures were recognized.

All employers who participate in the State Retirement Systems are eligible to participate in the Public Employees Long-Term Disability Program per Section 49–9–203 of the *Utah Code Annotated, 1953*, as amended. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three month waiting period and are paid 100 percent by the program. As of June 30, 2001, there are 308 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (Internal Service Fund), where assets are set aside for future payments. For the year ended June 30, 2001, the State paid \$4.091 million in premiums and the program has \$63.157 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 52–60 years of age with a minimum of 15–16 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5–10 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 2001, there are 458 individuals participating in the programs, and \$7.904 million was expended during the year. The total liability for postemployment benefits and compensated absences in the College and University Funds at June 30, 2001, was \$54.803 million. The postemployment benefits portion of the cumulative liability was \$14.702 million.

### NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management and Employees Group Insurance Funds (Internal Service Funds). The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (Colleges and Universities – Component Units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and medical malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. Risk Management claims liabilities are reported at an 80 percent statistical confidence level. Employees Group Insurance Fund long-term disability benefit reserves are reported using a discount rate of 7 percent.

The State covers its workers' compensation risk by purchasing insurance from The Workers' Compensation Fund (a related organization). The University of Utah and Utah State University report claim liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short-and long-term combined) during fiscal years ended June 30, 2000, and June 30, 2001:



# STATE OF UTAH

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

### Changes in Claims Liabilities (Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
2000 .....	\$ 37,711	\$ 8,726	\$ (9,577)	\$ 36,860
2001 .....	\$ 36,860	\$ 14,914	\$ (7,447)	\$ 44,327
Employees Group Insurance:				
2000 .....	\$ 61,066	\$ 226,705	\$(219,647)	\$ 68,124
2001 .....	\$ 68,124	\$ 249,214	\$(242,939)	\$ 74,399
College and University Self-Insurance:				
2000 .....	\$ 16,278	\$ 83,434	\$ (78,868)	\$ 20,844
2001 .....	\$ 20,844	\$ 89,613	\$ (91,059)	\$ 19,398

### NOTE 19. SUBSEQUENT EVENTS

On July 1, 2001, the State issued \$348 million of General Obligation Bonds Series 2001 B. Principal on the bonds is due annually commencing July 1, 2004, through July 1, 2014. Bond interest is due semi-annually commencing January 1, 2002, at an interest rate of 4.5 percent. The proceeds were used to refund \$208 million of prior bonds, provide funds for certain highway projects, and fund various other construction projects.

Due to a slowing economy, revenue forecasts for the fiscal year ending June 30, 2002, declined from previous estimates by \$177 million. As a result, the Governor reduced fiscal year 2002 budgetary allotments to state agencies by nearly \$80 million and in October 2002 asked state agencies, except public education, higher education, and public safety, to reduce budgets by an additional 1 to 2 percent. The Governor is also recommending that as much as \$60 million of the \$120 million in the State's Budgetary Reserve Account (Rainy Day Fund) be used to cover the deficiency. Use of the fund requires legislative approval and this proposal will likely be considered in the 2002 legislative session.

The Student Loan Purchase Program issued additional Student Loan Revenue Bonds under the authority of the 1993 Revenue Bonds General Indenture, Eighth Supplemental Indenture in the amount of \$120.015 million dated September 15, 2001.

On July 3, 2001, Weber State University issued \$12.28 million in Student Facilities System Revenue Bonds, Series 2001. Principal on the bonds is due annually commencing April 1, 2003, through April 1, 2031. Bond interest is due semiannually commencing April 1, 2002, at rates ranging from 4 to 5.25 percent.

On October 11, 2001, Salt Lake Community College issued \$5.89 million of Auxiliary System and Student Fee Revenue Bonds Series 2001. Bond principal is due annually from June 1, 2002, through June 1, 2016. Bond interest is due semiannually commencing December 1, 2001, at rates from 2.5 to 5.5 percent.

On July 18, 2001, the University of Utah issued \$2.755 million of Auxiliary and Campus Facilities System Revenue Bonds Series 2001. Principal on the bonds is due annually commencing April 1, 2003, through April 1, 2015. Bond interest is due semiannually commencing October 1, 2001, at rates from 3.5 to 5.125 percent.

On August 7, 2001, the University of Utah issued \$26.67 million of Hospital Revenue Bonds Series 2001. Principal on the bonds is due annually commencing August 1, 2014, through August 1, 2021. Bond interest is due semiannually commencing February 1, 2002, at rates ranging from 5 to 5.5 percent. Proceeds from the bonds will be used to finance certain costs associated with expansion of the University Hospital.

Subsequent to June 30, 2001, the Utah Housing Corporation issued \$19 million in Single-Family Mortgage Purchase Variable Rate Bonds, 2001 Series C, maturing on July 1, 2017, and January 1, 2033, interest at a variable rate adjusted weekly, and issued \$6 million in Single-Family Mortgage Purchase Fixed Rate Bonds, 2001 Series C, maturing on January 1, 2021, and 2028, at interest rates of 5.5 to 5.65 percent.

Utah Technology Finance Corporation has discontinued its operations effective August 17, 2001, except for the collection of the Corporation's outstanding State-funded loans receivable. During the next 18 to 24 months, the Corporation will remit collected receivables to the State and will liquidate all remaining assets.

# STATE OF UTAH

## COMBINING STATEMENT OF PLAN NET ASSETS DEFINED BENEFIT PENSION PLANS AND OTHER PENSION TRUST FUNDS

June 30, 2001

(Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System
<b>Assets</b>				
Cash and Cash Equivalents . . . . .	\$ 41,394	\$ 455,495	\$ 56,665	\$ 23,663
Receivables:				
Member Contributions . . . . .	440	—	201	396
Employer Contributions . . . . .	591	20,598	1,999	—
Court Fees and Fire Insurance Premiums . . . . .	—	—	—	—
Investments . . . . .	33,537	369,045	45,900	19,171
Total Receivables . . . . .	34,568	389,643	48,100	19,567
Investments:				
Bonds . . . . .	240,889	2,650,796	329,681	137,704
Equity Investments . . . . .	520,204	5,724,456	711,951	297,373
Venture Capital . . . . .	74,732	822,370	102,277	42,721
Real Estate . . . . .	80,683	887,854	110,423	46,122
Mortgage Loans . . . . .	247	2,720	339	141
Invested Securities Lending Collateral . . . . .	101,811	1,120,346	139,338	58,200
Investment Contracts . . . . .	—	—	—	—
Total Investments . . . . .	1,018,566	11,208,542	1,394,009	582,261
Fixed Assets:				
Land . . . . .	127	1,393	173	72
Buildings and Improvements . . . . .	726	7,990	994	413
Machinery and Equipment . . . . .	209	2,295	285	119
Accumulated Depreciation . . . . .	(418)	(4,601)	(572)	(238)
Total Fixed Assets . . . . .	644	7,077	880	366
Total Assets . . . . .	1,095,172	12,060,757	1,499,654	625,857
<b>Liabilities</b>				
Vouchers Payable . . . . .	43,293	476,524	59,247	24,750
Leave/Postemployment Benefits . . . . .	111	1,217	151	63
Securities Lending Liability . . . . .	101,811	1,120,346	139,338	58,200
Insurance Reserves . . . . .	3,537	38,925	4,840	2,022
Total Liabilities . . . . .	148,752	1,637,012	203,576	85,035
<b>Fund Balances</b>				
Employee Deferred Compensation . . . . .	—	—	—	—
Reserved For Pension Benefits . . . . .	946,420	10,423,745	1,296,078	540,822
Total Fund Balances . . . . .	\$ 946,420	\$ 10,423,745	\$ 1,296,078	\$ 540,822

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<b>Judges System</b>	<b>Governors and Legislative Pension Plan</b>	<b>Deferred Compensation 401(k) Plan</b>	<b>Total June 30, 2001</b>
<u>\$ 3,800</u>	<u>\$ 514</u>	<u>\$ 820</u>	<u>\$ 582,351</u>
—	—	—	1,037
891	—	—	24,079
60	—	—	60
<u>3,078</u>	<u>416</u>	<u>20,777</u>	<u>491,924</u>
<u>4,029</u>	<u>416</u>	<u>20,777</u>	<u>517,100</u>
22,112	2,987	367,939	3,752,108
47,751	6,451	852,248	8,160,434
6,860	927	—	1,049,887
7,406	1,000	—	1,133,488
23	3	—	3,473
9,345	1,262	29,528	1,459,830
<u>—</u>	<u>—</u>	<u>38,217</u>	<u>38,217</u>
<u>93,497</u>	<u>12,630</u>	<u>1,287,932</u>	<u>15,597,437</u>
12	2	—	1,779
68	9	—	10,200
19	3	—	2,930
<u>(39)</u>	<u>(6)</u>	<u>—</u>	<u>(5,874)</u>
<u>60</u>	<u>8</u>	<u>0</u>	<u>9,035</u>
<u>101,386</u>	<u>13,568</u>	<u>1,309,529</u>	<u>16,705,923</u>
3,975	537	3,269	611,595
10	2	—	1,554
9,345	1,262	29,528	1,459,830
<u>325</u>	<u>43</u>	<u>—</u>	<u>49,692</u>
<u>13,655</u>	<u>1,844</u>	<u>32,797</u>	<u>2,122,671</u>
—	—	1,276,732	1,276,732
<u>87,731</u>	<u>11,724</u>	<u>—</u>	<u>13,306,520</u>
<u>\$ 87,731</u>	<u>\$ 11,724</u>	<u>\$ 1,276,732</u>	<u>\$ 14,583,252</u>